

JPRS 79617

8 December 1981

South and East Asia Report

No. 1075



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators* such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

8 December 1981

SOUTH AND EAST ASIA REPORT

No. 1075

CONTENTS

INTER-ASIAN AFFAIRS

Influx of Arab Petrodollars into Asia Foreseen (Thomas Thomson; BUSINESS TIMES, 28 Oct 81).....	1
Projected Spending by ASEAN Countries on Oil, Gas Development (Safar Hashim; BUSINESS TIMES, 9 Oct 81).....	2

BANGLADESH

Rubber Program Aims at Achieving Self-Sufficiency (Kazi Maksudul Hasan; BUSINESS TIMES, 15 Oct 81).....	3
--	---

BRUNEI

Bolkow Helicopters, Sura Rockets for RBMR (BORNEO BULLETIN, 10 Oct 81).....	4
--	---

BURMA

Cleanup Campaign Directed at Monasteries Has Popular Support (Michael Fathers; BUSINESS TIMES, 20 Oct 81).....	5
No Major Changes Expected Under New Administration (Michael Fathers; BUSINESS TIMES, 16 Oct 81).....	6

INDONESIA

Polri Takes Action Against Pirates in Philippine Strait (KOMPAS, 26 Sep 81).....	7
Military Operations Center Designated (HARIAN UMUM AB, 9 Sep 81).....	9
Petrochemical Joint Venture Developed (SINAR HARAPAN, 16 Sep 81).....	10

Indonesia To Help Solve Sabah Dispute (HARIAN UMUM AB, 29 Sep 81)	11
Cut in BKPM Licenses Announced (KOMPAS, 26 Sep 81)	13
Land Transport Revolution, Safety Regulations Lacking (Hans Sinaulan; MATIARA, 14 Oct-27 Oct 81)	15
Small Loan Program Achievements Discussed (KOMPAS, 18 Sep 81)	21
Export of CASA Aircraft (PELITA, 5 Sep 81)	23
Report on Curbing of Officers' Private Business Affairs (Jasso Winarto; EKSEKUTIF, Oct 1981)	25
New Investment for Railway Development Discussed (KOMPAS, 28 Sep 81)	33
Kemal Idris Discusses Hotel Career, Philosophy (Agus Suprihanto Soerono; JURNAL EKUIN, Sep 81)	36
Parliament Approves New Criminal Code (Francis Daniel; BUSINESS TIMES, 17 Oct 81)	40
U. S. Companies Lead in Investment in Petroleum Sector (Richard Cowper; BUSINESS TIMES, 27 Oct 81)	41
Banned Books To Be Translated, Published Abroad (Peter Griffiths; BUSINESS TIMES, 28 Oct 81)	42
Briefs Delegation To Visit China	43

MALAYSIA

Interview With Prime Minister Mahathir (NEW STRAITS TIMES, 27 Oct 81)	44
British Said Not To Understand Malaysian Viewpoint (Wan A. Hulaimi; NEW STRAITS TIMES, 15 Oct 81)	51
Prime Minister Terms Press Freedom Western Myth (BUSINESS TIMES, 13 Oct 81)	52
No Difficulty Encountered in Underwriting \$650 Million Loan (BUSINESS TIMES, 15 Oct 81)	53
Communists Reported Changing Tactics With Failure of Armed Struggle (NEW STRAITS TIMES, 11 Oct 81)	54

Government Shopping for Tanks, Personnel Carriers, Aircraft (NEW STRAITS TIMES, 12 Oct 81)	55
Watan Manager, Reporter Held Under Internal Security Act (NEW STRAITS TIMES, 14, 18 Oct 81)	56
Detained for Questioning Articles Eulogized Communism	.
Palm Oil Production Expected To Double by 1990 (NEW STRAITS TIMES, 19 Oct 81)	58
PHILIPPINES	
Information Minister Critical of Western Press (Manolo B. Jara; BUSINESS TIMES, 16 Oct 81)	59
Central Bank Obtains \$100 Million Loan for Relending Program (BUSINESS TIMES, 16 Oct 81)	60
SINGAPORE	
New President Described as Controversial Figure (S. V. Suppiah; BUSINESS TIMES, 28 Oct 81)	61
Study Recommends Closure of Ministries, Civil Service Overhaul (NEW STRAITS TIMES, 30 Oct 81)	62
U. S. Air Carriers Resist SIA Expansion (Francis Daniel; BUSINESS TIMES, 27 Oct 81)	63
THAILAND	
Country Seen as U. S. Satellite (SUPHAPBURUT PRACHAMIT, 17 Oct 81)	64
Natural Gas Production Problems, Discoveries in Northeast Reviewed (SIAM RAT SAPPADA WICHAN, 18 Oct 81)	66

INFLUX OF ARAB PETRODOLLARS INTO ASIA FORESEEN

Kuala Lumpur BUSINESS TIMES in English 28 Oct 81 p 6

[Article by Thomas Thomson in Bahrain]

[Text]

ARAB money managers are looking to the East for new investments for the billions of petrodollars pouring into the Gulf oil exporting countries.

With the lustre of Western economies fading, Arab investors and governments believe that East Asia and Australia offer a lucrative home for at least some of the region's surplus funds.

Arab bankers and financial advisers, traditionally familiar with the economies of Western Europe and the United States, have long been strangers to the countries of the Pacific.

But research over the past three years, triggered by the West's slide into recession and a desire to diversify investment, has convinced the financially conservative Gulf states that it is an area rich in new financial opportunities.

Bankers forecast that next year will see the first big influx of Arab money to the growing economies of the Asian area.

The most tangible sign of increasing Arab interest was the formation this year of the Kuwait Asia Bank, a US\$30 million institution with headquarters in Bahrain.

Its chairman, Mr Salah Al-Marzook, told *Reuters* after the first board meeting that the bank planned eventually to open a network of Far East offices in Singapore, Japan, Australia, South Korea, Malaysia and Indonesia.

Bankers estimate that members of the Organisation of Petroleum Exporting Countries (Opec)

will amass balance of payments surpluses of perhaps US\$80 billion in 1981 alone.

Much of that would be accumulated by the Gulf oil exporting countries, especially Saudi Arabia and Kuwait, and would bring total Opec foreign assets to almost US\$400 billion.

The Kuwait Asia Bank, which has not yet begun operating, will funnel part of the surplus funds to the Pacific.

Its general manager and chief executive, Mr John House, told *Reuters* that he foresaw Gulf countries investing part of their new surplus funds in the Far East, but he did not believe any funds at present invested in the West would be withdrawn.

Mr House said the East Asian economies were attractive to Arab investors because of their high projected growth rates and the opportunity to help with their economic development.

Arab interest is likely to focus in Japan on bonds, shares and bank certificates of deposit, bankers believe.

An adviser to the Kuwait International Investment Company, Mr Hikmat Nashaashibi, said that until early last year, Japan had been virtually passed over by Arab investors, most of whom knew little about the country.

But in an article in the Organisation of Arab Petroleum Exporting Countries (OAPEC) *Bulletin*, he said that he expected the flow of funds to Japan to gain momentum.

Weighing heavily in the Tokyo market's favour was the fact that they were the second largest in the world after the US, he said.

The bankers said that in Malaysia, the Philippines, Indonesia, Singapore and Thailand, interest would be less in shares and more in direct involvement in existing companies and companies to be formed to develop the Asean countries' economies.

Saudi Arabia, the world's largest oil exporter, has already invested fairly large sums in Japan, with the yen reckoned to be the country's third most important investment currency after the dollar and West German mark.

Kuwaiti interest in the Far East was fuelled by the visit last year to Singapore of the Emir, Sheikh Jaber Al-Ahmed Al-Sabah.

Kuwait is already Singapore's second largest oil supplier and the tiny island republic is the world's third largest oil refining centre.

Among countries being examined by potential investors is Australia, the bankers said.

A high growth rate predicted for Australia this year, centred on the development of its energy and mining industries, makes it attractive when contrasted with the problems of other economies in the developed world, they said.

The Kuwait Asia Bank, while pioneering Arab investment in Asia, is also an example of how oil-rich countries are beginning to manage their financial surpluses directly, rather than routing money through middlemen in Europe and the US.

The bank's shareholders include Kuwait International Investment Company, the Kuwait Public Institution for Social Security and a number of Kuwaiti banks, agencies through which surplus petrodollars are recycled. — *Reuters*

PROJECTED SPENDING BY ASEAN COUNTRIES ON OIL, GAS DEVELOPMENT

Kuala Lumpur BUSINESS TIMES in English 9 Oct 81 p 1

[Article by Safar Hashim in Manila]

[Text] ASEAN countries will spend about US\$33.1 billion (M\$76.13 billion) on oil and gas related development in the region during the 1981-1985 period.

Of this amount, Indonesia is expected to invest US\$26.6 billion (M\$61.18 billion), Malaysia US\$3.8 billion (M\$8.74 billion), the Philippines US\$0.9 billion (M\$2.07 billion), Singapore US\$0.7 billion (M\$1.61 billion), and Thailand US\$1.2 billion (M\$2.76 billion).

The Ascope Economic Committee, in a paper on financing requirements, noted that this projected investment cannot be considered large by global oil industry standards but for Asean countries there will be competing needs for funds for other development purposes.

As in the past, international oil companies, the World Bank, the Asian Development Bank and other international agen-

cies will continue to contribute and play an important role. The committee did not foresee any problem in securing the financing required as the Asean region offers good opportunities for investors.

The paper said the biggest portion of total investment will go to exploration and production of oil and gas.

At the current level of crude oil production, a minimum of 700 million barrels of recoverable reserve must be discovered each year to cover depletion and to maintain production.

"It is the ambition of the Asean nations not only to maintain production but to increase production over the years to meet increasing domestic demand and to achieve a greater degree of self-sufficiency," the Ascope paper said.

The paper also noted that natural gas discoveries have become an

important feature recently and the projected investment for LNG plants, pipelines and storage capacity in the Asean region cover major LNG plants in Indonesia and Malaysia, gas pipelines and gas processing plants for Thailand and Malaysia.

With the exception of the Philippines, all Asean members plan for substantial downstream investments to meet increased domestic demand for petroleum products.

In Malaysia, the major projects are the construction of two refineries — one to be located in Malacca with a capacity of 165,000 barrels per day and the other in Trengganu with a daily capacity of 30,000 barrels.

In Indonesia, major expansion of refining capacity is in hand, almost doubling its capacity by the end of 1984 and includes upgrading processing plants. Singapore

will emphasise upgrading of facilities. Thailand will expand its refinery capacity and the Philippines, because of projected low growth in petroleum consumption, will do only some upgrading and replacement of facilities.

In a related paper, the World Bank said the bank's contribution in the energy field is for efforts that are vast in scope.

Its role in energy in developing countries among other things are to advise on the major technical issues involved in choosing which domestic energy resources to develop; and to identify and help prepare high priority projects which will attract private and public capital for investment.

"The bank's presence in the financing plans for these projects will be as a lender of last resort," the paper said. — Bernama

RUBBER PROGRAM AIMS AT ACHIEVING SELF-SUFFICIENCY

Kuala Lumpur BUSINESS TIMES in English 15 Oct 81 p 15

[Article by Kazi Maksudul Hasan in Dacca]

[Text]

WITH only two decades of experience, Bangladesh now aims to become self-sufficient in rubber within the next 15 years.

Experts say that if all goes well the country will not only achieve self-reliance but will also be able to export a considerable amount of surplus rubber.

Toward this end, the government has drawn up an ambitious plan to grow rubber on a wide scale. It has also ordered requirements of natural rubber by 1992-93.

Officials at the Forest Industries Development Corporation (FIDC), the autonomous body responsible for setting up rubber plantations in the public sector, say this is a tall order. However, they hope to reach the target by 1996-97 when more plants on more land will mature to yield latex.

FIDC officials explain that the 1993 target cannot be achieved because of the frequent transfer of the project from one agency to another.

According to a FAO report, Bangladesh produced one million pounds of rubber in 1978-79. The total local demand at the time was 10 million pounds. This meant the country produced only 10 per cent of the total demand. But production has increased since then; total output for 1980-81 was 1.2 million pounds.

To achieve rubber self-sufficiency, the gov-

ernment plans to increase by 1990 the area under rubber plantation to about 70,000 acres of which 40,000 acres will be under government management and the other 30,000 acres under private ownership and care.

The government's rubber development project was entrusted to FIDC in late 1977 after it was twice transferred between the Forest Department, a government agency, and FIDC since 1960. To achieve the national objective, a fresh scheme was drawn up in early 1978 for extending rubber plantation by 27,400 acres in six years.

While the government was holding talks with various financing agencies for funding, the Asian Development Bank (ADB) showed interest. FAO was then requested to conduct a feasibility study under the financial arrangement of ADB.

Based on the FAO feasibility study in early 1979 and on subsequent findings and appraisals by ADB, the final scheme was prepared.

This scheme proposed to expand the total plantation land under FIDC's expanded rubber plantation and processing project from the present 12,598 acres at the end of 1979-80 to about 25,068 acres with high-yielding variety planting materials at the end of the project in 1988-87.

Former Minister for Agriculture and Forests Nurul Islam informed Parliament a few months back that a total of 320 private firms were given permission to grow rubber; 92 more firms were allocated land for the same purpose. He also said that the allocation of land the government was providing growers with technical facilities, including seeds and saplings.

According to the terms of the lease of land, the private firms were required to plant up those plots within a stipulated time. Some experts say the small area for each planter may not be profitable to them. A separate rubber board will also be set up soon for the successful implementation of the government rubber programme.

For its revived programme, the government is also considering joint-venture projects with some of South-East Asia's major rubber producers. The Malaysian government, in fact, has already promised to provide Bangladesh with various types of training with special emphasis on entrepreneur development.

The rubber programme did not have a smooth start in Bangladesh. After some initial setbacks in the experimental rubber plantation in the early 1950s, investigations were made to assess whether it

could be grown on a commercial basis.

In 1959, a FAO rubber expert was assigned to study the feasibility of growing rubber on a large scale in Bangladesh. The expert reported that the climatic and soil conditions in some parts of the country were suitable for large-scale rubber plantation.

A pilot scheme was initiated by the Forest Department in 1960 with the immediate aim of planting 718 acres to rubber within the next five years. But the FAO expert further recommended to increase that area of plantation to 3,000 acres and transfer the scheme from the Forest Department to FIDC.

Accordingly, FIDC had raised 3,000 acres of land for rubber cultivation in Chittagong and Chittagong Hill Tracts districts by importing lenal seeds from Malaysia in 1965.

Even today, the rubber development project is not without handicaps. Experts maintain that the frequent transfer of the project from one agency to another and managerial inefficiency tend to impede the progress of the project.

But Waliul Islam, chief of FIDC's rubber project, is optimistic that the prospects are bright with the gradual solution of the problems and the unimpeded flow of funds to maintain the momentum. — Depthnews Special

BOLKOW HELICOPTERS, SURA ROCKETS FOR REMR

Kuala Belait BORNEO BULLETIN in English 10 Oct 81 p 12

[Excerpts]

BANDAR SERI BEGAWAN. — The delivery schedule for Brunei's six German-built Bolkow helicopters was set back by several weeks because of a mix-up in paint by the manufacturers, it was disclosed last week.

Royal Brunei Malay Regiment officials discovered all six machines had been given a matt camouflage finish instead of semi-gloss as specified.

The fleet of Bolkow 105s, built by the Messerschmitt - Bolkow-Blohm factory near Munich, at a cost of B\$2 million each, had to be stripped and repainted in the correct finish after the blunder was discovered.

The first three helicopters, which were originally scheduled for delivery at the end of June, arrived last week and the remainder, scheduled for last month, will not arrive until some time next month.

The new helicopters are being serviced and maintained by eight British loan service officers from the Royal Electrical and Mechanical Engineers.

The engineering team underwent a course at the MBB factory earlier this year.

A resident engineer from MBB, "Archie" Winter, will be with the engineering team for a year in an advisory role.

In addition, an MBB pilot, Captain G. Balik, will be in Brunei for three months to help with flying training.

The Bolkow 105 can be used for armed attack, casualty evacuation, liaison and reconnaissance work but the ultimate aim is to arm the fleet with rockets.

General purpose machine guns can be used in place of rockets if necessary, but not simultaneously.

Officials say the regiment plans to buy Swiss-made Sura LB 81-mm unguided air-to-ground rockets.

It is also planned to fit the fleet of 13 American-built Bell 212s with general purpose machine

guns.

Test flying with these guns were carried out earlier this year.

The two Bell 206 Jet-Rangers attached to the air wing will be used for training purposes.

There are almost 20 qualified local pilots in the air wing and four more are still under training.

The Bolkow can accomplish the most tricky manoeuvres, such as loops and rolls and flying upside down, but as Capt Hoffman explained:

"This is purely for demonstration and certainly not used for military purposes."

"The advantage of the 105 is its twin-engine capability, especially in a country like Brunei where a lot of flying is done over jungle areas."

"If one engine breaks down, it is always possible to fly back on the other engine."

CLEANUP CAMPAIGN DIRECTED AT MONASTERIES HAS POPULAR SUPPORT

Kuala Lumpur BUSINESS TIMES in English 20 Oct 81 p 6

[Article by Michael Fathers in Rangoon]

[Text] BURMA'S socialist government, in an apparent bid to control one section of Burmese society outside its authority, the Buddhist priesthood, has proposed the registration of all monks.

A campaign of purification and propagation, initiated under state auspices, is aimed at weeding out bogus monks, stopping monastical abuses such as commerce and sex and denying sanctuary to political opponents who by shaving their heads and donning the saffron robe successfully escape the police and army.

So far several hundred monks have been disrobed, mainly in Mandalay, Burma's former royal capital, and in Rangoon and Pegu, two leading religious centres in lower Burma, according to local newspaper reports.

The cleanup has won popular support in this devoutly Buddhist country where the 100,000-man clergy existed independently of all authority.

"When there is a bad fish the whole boatload stinks," a Burmese said in summing up local approval for the campaign.

The monks' unchecked power as the supreme religious authority had made them a traditional source of political dissent. The freedom is also widely alleged to have led to so-called scandalous practices in some monasteries.

The government is approaching the registration issue cautiously. But according to some monks who have been disrobed, coercion, victimisation and forced confessions have been used occasionally to remove men who were seen to have brought the sangha (Buddhist clergy) into disrepute.

The charges were that they disobeyed the priestly vinaya code of celibacy, fasting, and bans on gambling, drinking alcohol and handling money, according to monks.

But the campaign is not anti-religious and diplomats in Rangoon said Burma's socialist rulers who expound marxist doctrines and who have created a centralised state with all the trappings of Eastern European communism are as devoted in their worship of Buddha as any citizen.

President Ne Win, Burma's all powerful and reclusive ruler, began the process of monastic control which had eluded his predecessors by organising a conference of clerical leaders in May last year in Mandalay.

Known as the congregation of the sangha, the conference set up a 300-member central committee of the priesthood from the country's five main Buddhist sects which in turn was responsible for setting up similar committees in villages and towns.

Religious courts in existence but neglected for decades were revived and given the support of the state security organs to settle disputes.

But most important, the congregation agreed to a government suggestion that monks, who were alone among Burmese in not needing identification papers nor having to report their movements to local authorities, be registered to protect the purity of the faith.

"The monks are exempt from state control. Any criminal or government opponent could put on a robe, shave his head and hide in a monastery,"

a long-time foreign resident said.

"Now, under the new plan, if a layman were to turn up at a monastery he would not be accepted unless he were registered."

The registration has yet to begin and diplomats said the government was taking its time and using the fear of compulsory identification to bring about a voluntary exit of bogus monks and "criminals."

They said the Mandalay congregation marked a turning point in President Ne Win's nearly 20 years of rigid authoritarian rule. He turned 70 the same month and perhaps conscious of his age, was seen to be seeking to leave national reconciliation as his epitaph.

After the congregation he issued an amnesty to his opponents abroad and in the jungles along Burma's frontiers with China and Thailand, freed about 2,000 political prisoners and instituted a merit award and pension for all Burmese involved in past struggles against the Japanese and the British.

Diplomats said it was a magnanimous gesture in the tradition of Burma's kings. — Reuter

NO MAJOR CHANGES EXPECTED UNDER NEW ADMINISTRATION

Kuala Lumpur BUSINESS TIMES in English 16 Oct 81 p 6

[Article by Michael Fathers in Rangoon]

[Text] BURMA'S reclusive leader Ne Win steps down as President next month to make way for a successor as head of state and to try to guarantee an orderly transition of power after his death.

However the 71-year-old general, founder of Burma's communist-modelled one party state and its ruling Burma Socialist Programme Party (BSPP), will remain the country's strongman.

He stays as chairman of the party, the source of all authority in Burma, and diplomats and Burmese expect there will be little if any change in government policy when a new administration takes office in November.

Throughout the past two weeks 17 million registered voters out of a total population of 33 million cast their "yes" or "no" ballots in a general election to approve 675 party-nominated candidates for a parliament (Pyithu Hluttaw) which in turn elects a 25-member council of state and the President of Burma.

The elections which ended on Wednesday with the majority of candidates approved were held a year ahead of schedule, officially to allow a new government to prepare for Burma's new four-year economic plan beginning next year.

But Ne Win at his party's fourth congress in August announced he was retiring from the presidency because of old

age and wanted the elections to establish a process for a smooth hand-over.

The general is reported to be in reasonable health although diplomats in Rangoon consider he is "a bit of a hypochondriac" and say he is not as physically active as he was. He has doctors in attendance all the time.

The man most widely tipped to succeed him is San Yu, 63, a revolutionary colleague from the time Ne Win took over the country in a military coup in 1962, a former general and secretary of the outgoing council of state.

San Yu lost his powerful position as general secretary of the ruling party at the August congress. His departure was first seen as a fall from grace but assumed new significance when Ne Win announced his retirement days later and his intention to separate government and party posts.

The top party job went to Thawng Kyi, 54, an ex-colonel and another close associate of President Ne Win from the 1962 revolution.

Together with former army colonel Maung Maung Kha, 59, Burma's Prime Minister for the past eight years, the three men are known as the triumvirate and have been loyal executors of the general's policies of socialist self-reliance and non-alignment.

On the sideline, but equally powerful according to diplomats, is the President's military assistant brigadier-general Tin Oo, former civil and military intelligence chief who is known as Ne Win's eyes and ears.

Tin Oo attended a CIA training course in the United States during the 1950s and later studied intelligence techniques in East Germany during the 1960s, informed Burmese sources said.

The four men are all members of the party's 15-member central executive committee, or politburo, which effectively runs Burma under the direction of Ne Win.

None of the four has the sort of widespread support among the armed forces or within the party that would allow one to dominate the rest when General Ne Win dies, the diplomats said.

"They will each need the support of the other to continue in office after the general's death, unless of course an unknown outsider from the army stages a coup and shoves them all aside," one veteran Burmese political analyst said.

President Ne Win has the total loyalty of the army, the diplomats went on, and has been careful in moving his generals in and out of government and party positions and around the six major military commands.

As the main survivor of the "30 comrades" who founded the Burma Independence Army which fought the British and later the Japanese he is seen as the architect of the country's independence.

"He is respected but he is a man without charisma. He is a recluse who makes no attempt to cultivate a popular image," a diplomat said.

He is rarely seen in public and resides in a heavily guarded bungalow on the edge of Inya Lake in central Rangoon.

The President has been compared by Burmese to a mahout, the driver of an elephant who is never seen by the animal but who makes his presence known as its master by regular prod-dings and jabs from his iron spike.

"Behind the scenes he is all powerful and as leader of the party he will continue to run the country until he dies," a diplomat from a non-aligned country said.

Power in socialist Burma is completely centralised and all authority emanates from the top.

Even the names of students who have been chosen for study abroad are scrutinised and approved by the cabinet, said a diplomat whose country is involved in an aid programme. — Reuter

POLRI TAKES ACTION AGAINST PIRATES IN PHILIPPINE STRAIT

Jakarta KOMPAS in Indonesian 26 Sep 81 p 12

[Article: "POLRI Sends Aircraft and Ships Against Pirates"]

[Excerpts] Police Brig Gen Drs Darmawan Sudarsono reported on Friday afternoon [25 September] that POLRI [Republic of Indonesia Police Force] will not be quiescent in opposing the crime of piracy in the Philippine Strait. The chief of the Republic of Indonesia Police Force has ordered the Territorial Waters Police Main Unit and the Water Education, Training and Development Command of Police Headquarters to send ships and aircraft to assist KODAK [Police District Command] IV, Riau, with this problem.

According to information received from a seagoing ship cargo expediting company in Singapore, about 200 ships have been pirated in the Philippine Strait, located in southern Singapore and bordering on Indonesian waters.

The pirates, according to information received, are dark skinned and flee to Indonesian waters after seizing money and valuables from individuals on the ships.

The pirates are armed with knives, climb to the deck, threaten the ship's crew, take what they wish, and flee. Usually three or four pirates are involved.

Police Lt Col Drs Koesparmono Irsan, Assistant I for intelligence and security of KODAK IX, Riau, told KOMPAS that ships which become targets for piracy usually are those that anchor or "park" in international waters to await entry into the port in Singapore.

Some ships, of course, "park" there, but some enter Indonesian waters to avoid paying customs duties.

They must pay duty on their cargo if they anchor in Singapore waters, but they avoid paying duty if they remain in international or Indonesian waters.

These ships then become targets for pirate bands. This was true for two Pelni ships that were pirated recently, Koesparmono said. According to other information received, other than pirating ships that were casting anchor, pirates also attacked ships that were moving slowly through the Philippine Strait. This is a sad fate

for a ship and could be dangerous because the ships continue to move ahead without a crew since the crew usually is locked up by the pirates.

There have been a number of acts of piracy this month including the attack on the 90,900-ton Mammoth Monarch where the pirates used a speed boat. Evidence is available that ships under way are also attacked as happened in the case of the 29,960-ton tanker Corsicana on 23 August. Pirates attacked this ship only an hour after it was guided into international waters by a Singapore port pilot.

6804

CSO: 4213/07

INDONESIA

MILITARY OPERATIONS CENTER DESIGNATED

Jakarta HARIAN UMUM AB in Indonesian 9 Sep 81 pp 1, 3

[Article: "KODAU (Air Force Regional Command) III Designated Operations/Command Center"]

[Excerpts] Air Force Chief of Staff Air Marshal Ashadi Tjahjadi announced that Armed Forces Defense and Security officials have designated KODAU (Air Force Regional Command) III as a national defense command center for air operations covering "Surveillance and Security Zone II" in eastern Indonesia. According to the Air Force Chief of Staff, Hasanuddin Airbase in Sulawesi underwent testing during the joint armed forces exercises in 1981 and was found by defense officials to reasonably fulfill the conditions required to perform the functions of a defense operations/command center for eastern Indonesia.

Air Force Chief of Staff Ashadi made the above statement as he presided over a change of command ceremony in which the position of KODAU III commander was transferred from Air Commodore Suti Harsono to his replacement, Air Commodore Siboen. The function took place in the ceremonial hall of KODAU III headquarters in Ujung Pandang, Tuesday morning.

In accordance with the consolidated ABRI (Indonesian Armed Forces) force development program, the KODAU III area of responsibility will be developed as the designated territorial command possessing the air surveillance and combat assets for the "Eastern Security Zone."

Hasanuddin Airbase has been made ready to serve as a temporary center of deployment for the A-4 "Skyhawk" bombers and for the Fifth Reconnaissance Squadron.

While Walter Monginsidi Airbase is being prepared as a homebase for the A-4 "skyhawks," Air Marshal Ashadi said that it was considered necessary to designate officially Hasanuddin Airbase and change its functions so that it could serve officially as an Air Force command/operations center for air combat assets deployed in the region.

The new commander of KODAU III, Air Commodore Siboen, previously was base commander of Halim Perdanakusuma Airbase, Jakarta, while his predecessor, Air Commodore Suti Harsono, will now assume the position of Commander, KODAU V in Jakarta, replacing Air Vice Marshal Soetopo who will become Inspector General of the Air Force.

9464

CSO: 4213/06

INDONESIA

PETROCHEMICAL JOINT VENTURE DEVELOPED

Jakarta SINAR HARAPAN in Indonesian 16 Sep 81 p 11

[Article: "Petrochemical Olefin Project in Aceh to be Developed Jointly with Exxon"]

[Text] The government has reached a decision to erect a petrochemical project in Lhok Seumawe, Aceh, by means of a joint venture between Pertamina and Exxon, an American firm.

Minister of State for Reform of the State Apparatus Dr J.B. Sumarlin added in Jakarta Tuesday night that further negotiations presently were being held to formulate developmental plans. Exxon was selected to participate in the development of this project after a conscientious and successive evaluation of various firms following negotiations with a number of enterprises which previously indicated an interest in the endeavor. The petrochemical project in Aceh, which will be able to produce 350,000 tons of ethylene (an ingredient for the manufacture of plastic) annually will be the largest olefin project in Southeast Asia. "It will be even larger than similar projects in Australia and New Zealand," Dr Sumarlin said.

The new project will use natural gas as a fuel. This natural gas, especially its ethane molecular component, will be treated chemically to produce ethylene.

Plastic at present is used in various Indonesian industries which manufacture a variety of products for developmental as well as daily needs. However, all such plastic presently must be imported because domestic industries so far have been unable to produce it.

Accordingly, it is hoped that the olefin project in Aceh will be able to fill all domestic needs for plastic in Indonesia. It is even anticipated that the quantity of plastic produced by the project in excess of domestic needs will be exported. With the establishment of this high-technology olefin project, Indonesia has taken a long step towards the utilization of sophisticated technology and in freeing itself of dependence on the import of raw materials.

Although negotiations are still under way with Exxon, it is estimated that developmental plans for the completion of the olefin project in Aceh will be carried out on schedule, according to Minister Sumarlin.

9464

CSO: 4213/06

INDONESIA

INDONESIA TO HELP SOLVE SABAH DISPUTE

Jakarta HARIAN UMUM AB in Indonesian 29 Sep 81 pp 1, 3

[Article: "Indonesia Will Help Solve the Problem of Sabah"]

[Text] According to a recent statement by Ambassador Leo Lopulisa, Jakarta's envoy to the Philippines, Indonesia will offer all possible assistance to resolve the dispute between Malaysia and the Philippines over Sabah, but considers the Moro dispute in Mindanao to be an internal Philippine matter.

Ambassador Leo Lopulisa made the above announcement at the Merdeka Palace last Monday after being received by President Soeharto.

According to Ambassador Leo, Indonesia has no wish to see the eruption of turmoil along its border areas, because such turbulence could then spread to Indonesian territory itself. He noted that a border area which is seething with unrest could be exploited by certain elements, such as extremist groups, for example.

"We have all witnessed the consequences of such unrest," said Leo Lopulisa. "And if this turmoil is based on religious grounds, we all feel it."

Ambassador Leo Lopulisa added that the problem of Sabah so far has constituted an obstacle in the bilateral Malaysian-Philippine relationship.

Indonesia hopes that the Sabah dispute will not cause a deterioration in relations between Malaysia and the Philippines to the extent that the unity of ASEAN will be weakened. For this reason, several meetings were arranged under Indonesian auspices. For example, two meetings were held, one in Manado with President Marcos, and another at Labuhan with then-Malaysian Premier Datuk Hussein Onn. Both meetings produced certain points of agreement, among them the consensus that the Moro problem was an internal Philippine matter.

These meetings also produced a unanimity of views not to aggravate the Sabah dispute any longer. Therefore, the two meetings have led already to a mutual understanding of these two important problems.

Ambassador Leo could not agree with the view that the problem of Sabah is constitutionally a part of the Philippines while it is under the de facto control of Malaysia. For the Philippines, the problem remains a (communist-inspired) constitutional matter.

The ambassador also pointed out that a small Indonesian island is also part of the Philippines constitutionally, but is under the de facto control of Indonesia. So far, this has not caused any problem, he added.

Historically, said Leo Lopulisa, Sabah actually has not been a part of the Philippines. It was so considered because a long time ago, the Sultan of Sulu received tribute from Sabah. The sultan was paid this tribute amounting to several tens of thousands of pounds sterling so that the plantation areas in Sabah would be protected.

The ambassador also acknowledged that weapons for the Moros in the southern Philippines were passing through Indonesian territory.

Leo Lopulisa was KOWILHAN (Territorial Defense Command) III commander. Often, he said, his forces apprehended arms smugglers who admitted they were Moros from the Philippines. The Indonesians confiscated the weapons but released the smugglers because they were Filipinos.

"This was to avoid any provocation," said the ambassador. "Such a provocation could have taken the form of a 'Moro show of force' instigated by certain countries to test the Indonesian reaction."

9464

CSO: 4213/06

CUT IN BKPM LICENSES ANNOUNCED

Jakarta KOMPAS in Indonesian 26 Sep 81 p 12

[Article: "Licensing for Capital Investment Purposes To Be Simplified"]

[Excerpt] Licensing for capital investment purposes is to be simplified. The 36 licenses once required are now to be reduced to 15.

Suhartoyo, chairman of BKPM (Capital Investment Coordination Agency), provided a written clarification of the increased tasks and functions of BKPM which was presented by his deputy, RHB Mochtan in a press conference on Friday afternoon [25 September].

Although Mochtan gave no details of the kinds of licenses which were to be eliminated or retained, he grouped licenses into three categories: First, basic or core agreements, that is a type of government agreement which contains special decisions or terms which are basic for conducting an activity. This includes provisional agreements (SPS) and permanent agreements (SPT) for PMA and PMDN (foreign and domestic capital investment, respectively) and BRO (Bedrijfs Reglementeering Ordonnantie) projects, that is, temporary business licenses (IUS) which become permanent business licenses (IUT).

Second, implementation agreements which are made within the framework of carrying out the basic or core agreement entered into. This includes the offer of customs facilities for capital goods and basic materials; the offer of a business use right (HGU), construction use right (HGB) and use right (HP) for land. It also includes building permits and hindrance law licenses (HO licenses). HGU, HGB, HP, and HO licenses are granted by the authorities concerned except for projects in industrial parks or export processing zones.

Third, licenses (control instruments) issued and valid for the short term. The purpose of issuing such licenses is to appraise how well the agreements have been carried out and how well they conform to the decisions or terms which were laid down. It is estimated that this simplification will reduce the number of licenses required by 57 percent or from 36 to 15 licenses.

The new priority scale list (DSP) to be issued in October will consist of seven volumes: a PMDM Project List volume, a PMA Project List volume, a Non-facilities Project List (BRO) volume, a Closed Project List volume, a Registration Project List volume, a First Priority Project List volume, and a Project Index.

A first priority project is a project which is judged to have the maximum positive impact and to be a strategic project. Priority for these projects is based on the judgment that they require government initiative and participation. Therefore, they can be funneled through the State Owned Business Agency (BUMN) which cooperates with private business. First priority projects are also to be tied, as far as possible, to small or village industry participation which is capable of acting through cooperative groups.

High priority projects which are new investment projects are given a tax holiday and other incentives in effect. Ordinary priority projects are given "investment allowances" and other incentives which have been in effect to date. Registration projects are non-facility projects which, because of their traditional or small-scale nature, do not require licenses from technical departments. For these, registration with the local regional government is sufficient. In general registration projects are projects of economically weak businessmen or cooperatives and are located in rural areas.

Looking toward an increase in the number of tasks and functions, BKPM issued Decision of the BKPM Chairman No 09/SK/1981 concerning the organization and administration of BKPM. Basic elements of BKPM now consist of a chairman, a vice chairman, a deputy for planning and management, a deputy for promotion of development, a deputy for evaluation and licensing, and a secretariat.

The initial five bureaus have now been increased to eight: the Planning Bureau, the Management and Evaluation Bureau, the Development Bureau, the Construction and Information Bureau, the Promotion Bureau, the Project Evaluation Bureau, the Facilities and Licensing Bureau, and the General Service Bureau.

6804

CSO: 4213/07

LAND TRANSPORT REVOLUTION, SAFETY REGULATIONS LACKING

Jakarta MATIARA in Indonesian 14 Oct-27 Oct 81 pp 2-4

[Article by Hans Sinaulan: "Revolution in Land Transportation"]

[Text] There is not yet a specific name for this kind of land transportation. People call it "Colt." However, the vehicle may bear the name of Colt, Datsun, Daihatsu, Honda, Suzuki, Toyota Kijang [small deer], and also Mazda. This type of land transportation which turns out to be filling a gap in land transportation requirements is also often nicknamed a "coffin," because of the rate of accidents it is involved in. However, the passengers just continue to crowd into this one kind of vehicle.

Yoyok is really skillful at driving. He is 25 years old and just got his driver's license 8 months ago. The Colt vehicle with the yellow license plate with the police number beginning with "N" still looks new, like a toy which he can do what he wants with. With just his left hand on the wheel he can whizz along the highway at more than 80 kph, even though the alarm buzzer still installed on the dashboard continues to go "beep...beep." For him the "beep...beep" sound when he weaves through the streets is like the rhythm of disco music which he likes very much. For 6 months he has been driving along the route from Malang to Surabaya (round trip) and now knows the twists and turns of the road along the way.

However, no matter how skillfully a squirrel jumps, finally he also falls. However skillfully Yoyok drives, he also has his unlucky days. That is what happened to him one day near the end of September.

Since leaving the Colt station in Jalan Lombok in Malang, the vehicle which, according to the DLAJR [Highway Transportation Service], was only capable of carrying 9 persons (including the driver) was packed with 17 people. In this situation Yoyok was only able to drive with his left hand, because his right hand was used to support his body by holding onto the right hand door [vehicles in Indonesia are usually right-hand drive]. Three passengers with rather large bodies, who were sitting in the front seat, pushed him over to the right-hand corner of the cab.

With his left hand he also changed gears (of course, he had to take his left hand off the steering wheel when he used the gearshift). However, he was calm enough. Still, he kept his eyes more often on the edge of the road than in front of him.

In this way he could immediately move to the side of the road when a prospective passenger waves to him from the side of the road to the passengers already in the vehicle.

The fare collector was also standing at the left hand door, with half of his body sticking out to wave at prospective passengers. Whenever there was a wave of the hand from the side of the road, whether from a pretty girl or a decrepit grandmother, Yoyok immediately turned the vehicle to the left [in Indonesia you drive on the left hand side of the road] without looking to see what was behind him. Then it was the job of the fare collector to find space for the new passenger. No one knows where the fare collector had learned the art of wedging passengers into a narrow vehicle. Clearly, the new passenger would be carried also. And he practiced the art of pushing passengers on board until finally he himself was only able to stand on one foot, and his whole body was hanging outside of the vehicle. In this situation he was still waving his hand and inviting passengers to come on board. He never stopped calling, and his voice was clear and distinct. And it appeared that he enjoyed this: hanging on while his body was buffeted by the wind and he looked out through half-closed eyes.

Once past the city of Lawang the vehicles moved faster. The "beep...beep" alarm sounded more frequently. The passengers were increasingly afraid. Some of them were moving their lips, whether praying for their safe arrival or abusing the reckless driver. However, it was curious that no one spoke. He drove around curve after curve skillfully and drove up and down the small hills in the road adroitly. He really drove well, and this was still with only his left hand.

When entering the city of Purwodadi (East Java) he tried to follow a bus around a fairly easy curve. The bus was almost around the curve when suddenly a truck appeared from the other side of the curve. Fortunately, Yoyok reacted quickly. He pressed down on the accelerator until the Colt seemed to jump forward, while he turned sharply to the left. He avoided collision with the truck, but the nose of another bus came alongside and sideswiped the left rear section of the Colt, rather hard. The Colt lost control and turned over, then collided with a tree which marked the edge of the road alongside a deep ditch and stopped there. This was just a slight accident. The left rear and the central right sections of the Colt were scraped, and the passengers were crying with fear. Fortunately, no one was injured.

A Cat Stepped on by an Elephant

Accidents like that, even those which claim lives, often happen, not only on the road between Malang and Surabaya but also on all roads where Colts are in service. "These accidents generally are due to carelessness on the part of the drivers," said Soeparto, chief of the Highway Transportation Service in Central Java. Although this is so, not infrequently the accidents are caused by the condition of the Colts themselves. "A Colt which jumps off to a fast start will feel as if it is flying. If the steering wheel is moved just a little, it will cause the vehicle to overturn. Perhaps this is because the small size of the steering wheel does not fit in with the height of the body," said Saban, an experienced Colt driver who drives along the road between Pasar Induk and Jakarta.

Dr Permadi, chairman of the Consumer Leagues Foundation (YLK) stated that on the basis of research undertaken by the YLK in cooperation with a government agency the conclusion was reached that many Colts are not appropriate for the transportation of passengers. In the country where they are made (Japan) Colts are not used to transport passengers. To this aspect may be added the fact that (according to the YLK) the quality of the Colts assembled in Indonesia is lower than those produced in Japan. This research also showed that the conversion of Colts into passenger vehicles (especially their bodies) does not meet technical standards. Indeed, such a standard does not exist. This has given rise to the fact that firms have sprung up producing Colt passenger bodies whose quality is certainly not of a high order. This is especially so if one recalls that in designing the body and using the necessary materials to build it a specially qualified person is needed.

From a Colt body manufacturing concern in Magelang [Central Java] it has been learned that the manufacture of a vehicle body is exclusively based on the order placed by the Colt owner and usually follows existing standards. The materials used and the design are most often determined by the owner of the factory. "Using trained technicians would cost too much. This would cause the cost of manufacture of the vehicle bodies to cost too much also," said the owner of a body manufacturing company. He went on to add that he felt there was not even one body manufacturing company which specially assigned a technician to design them or a researcher to check the materials.

Beside that the YLK also saw that there was no supervision of the application of the regulations after the vehicle went into operation on the roads. This means that the conditions of the vehicle itself may not meet the regulations for the transportation of passengers. For example, it often happens that Colts whose fuel tanks are worn out just use jerry cans with a plastic hose which is connected to the motor. Of course, this is very dangerous and threatens the safety of the passengers. There are also Colts whose doors can no longer be shut and which are just tied with a piece of string.

The YLK also notes that there have been substitutions of material in the manufacture of Colt bodies. There was once a Colt belonging to a chairman of a parliamentary committee which almost split apart when it was hit from the side by a motor bicycle. It turned out that the body of the vehicle was made from material of only slightly higher quality than the material for a can of prawn crackers.

From a number of accidents which occurred the indications are that the accidents occurred when passing another vehicle or after cutting in front of another vehicle suddenly after having passed still another vehicle. This means that the steering balance was impaired at the time the vehicle turned. As it happens, the drivers are rarely aware of such defects. Many reports have been submitted to the YLK to the effect that at a speed of 60 km the vehicles have lost their balance. There are even some which have been involved in accidents at 40 km (not serious accidents), but the vehicle itself has been a total loss, "like a cat stepped on by an elephant," Permadi said.

In view of these facts, YLK believes, before these vehicles are converted into public transport buses, they should be required to pass a safety test.

The already defective condition of the Colts that are turned into public transport vehicles is worsened by the carelessness of the drivers. Of course, these two conditions, taken together, are very dangerous for the passengers. It often happens that a Colt with its stability impaired, filled with passengers beyond its capacity load, is raced in a reckless manner because the drivers regard their Colts as "kings of the road." This is a result of the influence of advertising which almost every day is carried on TV and radio. "Advertising Colts as 'kings of the road' is really a murderous kind of advertising," says Permadi. Such advertising leads the drivers, whose basic education is limited, to think of themselves as kings of the road when they start off in their Colts.

The shortcomings found in Colt-type transport vehicles have drawn the attention of the Highway Transportation Service. That is because for every type of Colt once a year an inspection is usually performed, known as the KIR. The KIR inspection involves checking equipment such as: headlights, brakes, steering gear, and other components. However, it frequently happens that successfully passing the KIR inspection involves a process of bargaining or even bribery. In Yogyakarta, for example, owners of Colts who have not had their vehicles pass through the KIR inspection or who feel that the equipment of their Colts does not meet the requirements of the regulations can easily obtain a sticker showing that they have passed the KIR inspection, provided they make a "balancing" contribution that ranges between Rp 7,500 and Rp 10,000. Then their Colts will be free to operate. Such practices were frankly admitted by a Colt operator who provided service on the road from Yogyakarta to Surakarta and return.

Terminus Officials and "Officials"

The tendency of the drivers to drive their vehicles by paying no attention to traffic courtesy, in addition to the fact that they feel they are "kings of the road," is also a result of the fact that they feel they are under pressure to pay rather high rents. The drivers who serve the route from Surakarta to Yogyakarta and return must pay Rp 8,000 per day to the Colt owner. Although in past years such a sum was easily paid, it is not like that at present. There are hundreds of Colts which operate on that route, and of course they are in fierce competition for the transportation of passengers, as many as possible in order to pay the rent.

There are no longer cases of illegal collection of fees, as once was the case at Joyoboyo Terminal in Surabaya. Here the man who has the right to approve the departure of each Colt is a "terminal official" who is not listed as an official of the Highway Transportation Service or listed by the police. Each Colt which leaves, after waiting for its turn for a rather long time, is charged Rp 200. Meanwhile, those which want to leave more quickly can have the matter arranged after paying Rp 400. Then the driver still must pay from 10 to 20 percent "charges" for each passenger he gets.

In Padang the role of the "terminal official" is even more likely to resemble that of a "terminal boss." It is he who approves the departure of each Colt and he also also who determines which route they must take. Usually, the Colts are permitted to leave when they are full of passengers, because in this way the money collected will be that much more. Practices of this kind are generally in effect in many terminals throughout the country and are even carried on right under the noses of the government officials. "It is difficult to stop such practices. It is too

complex and may result in community disturbances. There are many social aspects that come up. For that reason, handling them must be in the hands of several government offices," said Soeparto, chief of the Central Java Highway Transportation Service.

The question of rents, paying off "terminal officials," and other illegal collections push the Colt drivers to drive as they do. As a consequence the Colts push each other to go faster. The question of discipline and paying attention to traffic regulations are matters for later attention. "For example, if there is a violation of the law, usually it can be settled peacefully with the policeman," said Suyono, a driver on the Colt route from Magelang to Semarang. It should not be surprising that the Colts which drive fast and are full of passengers should race with each other and that this is a common practice. Soeparto went on to say, "In this connection if the passengers are willing to be patient, they don't have to crowd in."

For the routes between Semarang and nearby areas, in addition to service by Colt there are also many buses and railway service as well. In this connection Colts filled with passengers are often seen passing empty buses on the same route. This is really astonishing, but it is also possible that this is because the Colt fare collectors have a special skill in attracting passengers, with the result that many passengers are happier riding in Colts than in buses. In East Java, for example, the average Colt driver is still rather young and good-looking. It should not be surprising that young girls and flirtatious women should prefer to ride in Colts (especially if they can sit beside the driver).

In view of the number of Colts, this brings up a special problem. The businessmen generally think that operating Colts is more profitable than operating buses. In Jakarta, for example, although the guidelines for transportation were set out in a Decision Letter by the governor in 1970, which provided that public transportation was limited to the railroads, buses, taxis, mikrolet [small buses], and 3-wheeled vehicles. Now the number of Colts in operation is very large, both those with a yellow license plate (meaning they have official approval) as well as those with a black license plate.

It must be admitted that Colts have the capacity to operate on routes where buses and railroads cannot go. Of course, in this way the inclusion of Colts in the transportation field is due to those who live far from bus and railroad lines.

Beside that, as Dr Permadi said, "the growth in population and the increasing progress in communications have stimulated the Indonesian people to become modern people. Of course, their needs for transportation are increasing by leaps and bounds." Meanwhile, the government itself is not able to meet these community needs, so that the provision of this kind of transportation infrastructure is still within the limits of what is possible. In this connection the need for quantity in transportation is still more important than the need for quality. "This is why the Colts are permitted here, whereas in their country of origin they are not permitted to operate to provide public passenger transportation."

The ease in obtaining an operation permit, the easy requirements for their purchase, and the low cost of maintenance have stimulated businessmen to go into this business in large numbers and to expand their business in the field of Colt

type transportation. In Padang, to serve a road network which does not exceed 200 km, no less than 300 Colts are currently in operation. In Bukittinggi the same number of Colts is felt to be too numerous to serve the needs of a population which only numbers 300,000. On the route from Surabaya to Malang people take Colts on the average of five per minute. The same thing happens in Balikpapan, Banjarmasin, Palembang, and as far as Kupang [Timor].

There are a few areas like Padang which limit Colt transportation to certain types of vehicles only, such as: Suzuki, Datsun, Daihatsu, Honda, and Toyota Kijang. Meanwhile, the Mitsubishi Colt is prohibited. "There is an order by the governor which prohibits the Mitsubishi Colt from handling the passenger transportation business," says a local official of the Highway Services Department.

This prohibition was ordered after study of the rate of accidents of the Mitsubishi Colt which occurred in Java, at the time this type of vehicle was being introduced and was popular with many people. The same thing happened in Pekanbaru, although it was not contained in an order by the governor.

Although the Colt population in Padang is rather large, the number of accidents which occur is relatively small. "This is because the Colts in operation are limited in their speed. In this way, although the drivers want to race, this is still not possible."

Limiting the number of Colts turns out to have encountered many obstacles. In Bukittinggi, according to Adhirudin (chairman of the "Mersi" Transportation Cooperative--Merapi-Singgalang), in fact there already is an order issued by the mayor which prohibits any addition to the number of Colts. However, no one knows why, in 1980 as many as 50 new Colts were issued licenses to operate and join the Jam Gadang cooperative, which was only formed last year. The increasing number of Colts has led to a larger number of them on two heavily-traveled routes: City Terminal to Aurkuning Terminal and Pasarbanto Terminal to Aurkuning.

However this may be, the usefulness of Colts for passenger transportation alongside buses and railroads and other forms of land transportation cannot be denied. This is not only in terms of a kind of business which has brought in monetary profits but also as a field of work which is able to support many people. Imagine in Central Java, according to available information, there were no less than 30 Colt dealers, 300 Colt spare parts stores, 200 garages, and 80 service stations. Don't places like those provide jobs to thousands of workers, and of course doesn't every worker support at least two other persons? And what about the thousands of drivers and fare collectors who of course are the support for several members of their families? This is just in Central Java. It can be imagined how many can be counted in Jakarta, West Java, Yogyakarta, East Java, Sumatra, and going as far as Irian Jaya.

"If you look at the matter from the point of view of the number of people who are supported by the Colt transportation business, it is proper for the government to show more sincerity and attention in handling the question which arise from the presence of Colts on the roads," said an official of the Central Java provincial government in Semarang. Research and study really need to be undertaken before deciding on policy involving this sector of land transportation. Because, as Permadi said, "When the government issues a regulation which is too restrictive, it is the people who suffer."

SMALL LOAN PROGRAM ACHIEVEMENTS DISCUSSED

Jakarta KOMPAS in Indonesian 18 Sep 81 pp 1, 12

[Article: "Ali Wardhana Says KIK and KMKP Issued Total 2.6 Billion Rupiah Per Day"]

[Excerpts] As of June 1981 KIK (small investment credit) and KMKP (permanent operating capital credit) issued by the government each work day totaled 2.6 million billion [as published] rupiah while there were 2,300 clients per day.

The finance minister said that the government to date has issued 1.2 trillion rupiah in KIK and KMKP credit to 1.2 million clients. The amount of KIK and KMKP credit rises each year. In 1978 KIK and KMKP totaled 300 million rupiah each work day; in 1979 it rose to 600 million each work day, and in 1980 it jumped to 6.1 billion rupiah each work day for a daily total of 900 clients.

These data prove that the government not only grants a great deal of credit, but it also takes equalization into account by offering credit to businessmen in the economically weak category. Total credit of all types amounted to 9 trillion rupiah. Of this total, KIK and KMKP amounted to 1.2 trillion rupiah.

The minister stated further that the major part of KIK and KMKP issued by the government is funneled through the Bank Rakyat Indonesia. Therefore the BRI must do the job of funneling credit to the economically weak businessman seriously in line with government policy.

Permadi, the BRI executive director, who was contacted by this reporter, said BRI has funneled 60 percent of KIK and KMKP credit. This is a huge job, and there are 24,000 bank employees scattered throughout Indonesia down to the village level. It is the only bank with many village units, and the majority of its clients are indigenous people.

Neither Finance Minister Ali Wardhana, Central Bank Governor Rachmet Saleh, nor the BRI executive director was prepared to provide any explanation of the improprieties which occurred in the BRI. A capital city newspaper reported that 31,429 billion rupiah were embezzled by BRI bank employees, from the leadership down to employees in the village units.

Permadi, BRI executive director, only said the matter was still under investigation, but he gave no additional information nor did he confirm that the embezzlements did occur.

The finance minister then said the inflation rate was only 5.9 percent for the period January through August. It is expected that it will not be that high by the end of the year. This proves that the government is watching closely day-to-day price fluctuations. In 1980 the inflation rate was 15 percent and 21 percent for the previous year.

Regarding confidence in the value of the rupiah, Ali Wardhana feels public confidence remains high as witnessed by savings account time deposits and Tabanas [national savings program] which now total 1.1 trillion rupiah out of the 5.5 trillion rupiah in circulation. In the past 5 years Tabanas held by students, employees, farmers, and others have jumped from 70 billion rupiah to 330 billion rupiah, a more than fourfold increase. This is encouraging. Time deposits have only risen twofold, from 400 to 800 billion rupiah.

6804

CSO: 4213/07

INDONESIA

EXPORT OF CASA AIRCRAFT

Jakarta PELITA in Indonesian 5 Sep 81 pp 1, 7

[Article: "PT Nurtanio Will Export Its Production of 38 CASA Aircraft"]

[Excerpts] P.T. Nurtanio aircraft manufacturers are preparing another 18 CASA aircraft to fill orders from Bangladesh, Burma, and Thailand. Total export orders for the CASA now amount to 38 aircraft.

This was the statement made by Research and Technology Minister/General Director of P.T. Nurtanio Dr Habibie to journalists yesterday in Jakarta. On Thursday, he reported on various routine matters to President Soeharto at the presidential offices of Bina Graha.

Until the present time, Nurtanio has only produced 1.5 CASA aircraft per month or a total of 18 aircraft per year. Production for the past 2 years has amounted to 20 aircraft solely for export.

In response to questions, Dr Habibie said he did not want to accelerate production to two or three aircraft a month because Nurtanio did not have an ample supply of domestically manufactured components. If production were to be increased, advantage would accrue chiefly to the CASA home office in Spain, because components necessary to assemble the aircraft were still procured from that country. "So, I've held back as long as we don't have a large supply of locally made components," said Habibie.

"However, God willing, in 2 years when Nurtanio is using 100 percent domestic components, then the firm will be able to produce two or three CASA aircraft a month," he added. Until now, domestic components amount to about 60 percent of the locally assembled aircraft.

Dr Habibie declared unequivocally that Burma had ordered four aircraft and that Thailand had requested an additional four aircraft to its original order.

He admitted that Nurtanio, an aircraft manufacturing enterprise owned by the government, also employed foreign manpower from the NBB firm in West Germany. These foreign experts are employed as instructors.

When asked his opinion about licensed production rights to the CASA being granted by Spain to India, Dr Habibie replied that this policy by CASA did not place

Nurtanio at a disadvantage and would create no competition for the Indonesian firm. "However, the granting of a license to India is still being negotiated and the matter is not yet resolved," he said.

He explained that officials of the Spanish aircraft firm had kept him informed of the the discussions with India. "I told them to go right ahead, that there was no problem," he said.

Dr Habibie confirmed that certain decisions had been taken by CASA, among them an acknowledgement by the Spanish firm that plans were being formulated to develop the CN-235 aircraft together with Nurtanio. The latter aircraft would have a load capacity of 100 passengers.

Dr Habibie estimated that around 1991, God willing, Nurtanio with its production would be able to compete with CASA and NBB on a worldwide basis. This is because, at that time, all components for the aircraft will be manufactured by Nurtanio itself. "I'll have the courage then to cut prices by 20-30 percent, and we'll still be able to make a profit," he said.

To manufacture the CN-235, Nurtanio has paid \$15 million for a co-production license from CASA. The fee will be fully paid off in 1983. Indonesia, in this case Nurtanio, has invested \$55 million in the joint venture with CASA of Spain. CASA possesses capital amounting to \$55 million. However, its liquid assets amount to \$25 million.

There is no question that the license Indonesia purchased from CASA was very expensive. However, in this manner Nurtanio has access to technology developed by CASA that will be used to manufacture the CN-235.

Concerning the construction of helicopters with a load capacity of 10-12 passengers, Dr Habibie said that Nurtanio was ready to embark on the venture in 1983. He said, however, that helicopters of the Puma type with a capacity of 24 passengers were already under development by the firm, but admitted that Japan had a long technological lead in the manufacture of such aircraft.

Indonesia at present has its own fixed and rotary wing aircraft manufactured domestically, such as the CASA with a capacity of 24 passengers, helicopters with a capacity of 5 passengers, the BK helicopter with a capacity of 12 passengers and the Puma helicopter with a capacity of 24 passengers.

9464

CSO: 4213/06

REPORT ON CURBING OF OFFICERS' PRIVATE BUSINESS AFFAIRS

Jakarta EKSEKUTIF in Indonesian Oct 1981 pp 20-24

[Article by Jasso Winarto: "There Are No More Armed Forces Officers in Business"; words enclosed in slantlines printed in boldface]

[Text] The action by the minister of defense and security 2 years ago concerning the Prohibition and Control of Business or Trade Affairs for Members of the Indonesian Armed Forces is working perfectly. According to the directive, senior officers who had been involved in business were told to choose, either continue to work in the private sector (meaning they had to request that their retirement date be sped up) or return to Hankam [Defense and Security; i.e. the military]. "You can go into business after you retire," said Gen M. Jusuf. "Only 10 officers chose to come back to Hankam; 143 asked to retire," said Adm Sudomo. "It's because they haven't held a weapon in their hands for a long time," Lt Gen M. Kharis Suhud commented last month.

But the relationship between the Indonesian Armed Forces and the business world is obviously not a simple one. What follows is a report by Jasso Winarto, with material gathered by Adolf Posumah, Bambang Kussriyanto and Charles Sihombing.

One rather prominent aspect of the military's role as a social force is its direct involvement in the development of the economy. As soldiers born from the womb of the developing nation, the Indonesian Armed Forces are committed to the ideals of the people, that is a national development that stresses expansion of the economy.

Although the armed forces have played a dominant role in the New Order government [under Soeharto, post 1965], during the First Five-Year Development Plan funds for military development were set aside for development of the economy. Moreover, the armed forces themselves were actively involved in building up sectors other than the military, either through a decision-making capacity or by the direct assignment of active-service personnel to various sectors. The armed forces became committed to the economic sector particularly from the end of the 1950's when officers entered state-owned businesses, former Dutch companies that had been nationalized.

But later there were excesses. Not all armed forces officers given assignments in the business world were successful, and their failure marred the military's image.

Meanwhile efforts to rebuild that image were stepped up, particularly through the labors of Minister of Defense and Security Gen M. Jusuf. Although there has been no shift in the commitment of the armed forces to economic development, for the past 2 years there have been signs of greater selectivity. Military involvement in the business world has been controlled, and the image of the armed forces has been improving more and more.

What the minister of defense and security/commander of the Indonesian Armed Forces prohibited was involvement of middle-level and senior military officers in /private business/ activities. As a result of that directive (No. Kep/26/XI/1979), officers who wished to continue their business affairs were ordered to request retirement. All of the officers involved were given enough time to reflect on the matter and to make their decision voluntarily.

In his statement to EKSEKUTIF last month, Adm Sudomo, vice commander of the Indonesian Armed Forces/commander of the Restoration of Security and Order Command, confirmed that the directive was being carried out smoothly. There are no difficulties. The instructions were completed within 3 months. According to available data, retirement has been approved for 143 officers who wanted to continue their private business ventures. Only 10 officers wanted to abandon private business and return to active duty in the military. "They haven't held a weapon in their hands for a long time," said Lt Gen M. Kharis Suhud, chief of the Administrative Staff.

The instruction prohibiting business activities for officers on active duty in fact has its roots in Government Ordinance No 6/1974 concerning the Limitation of Private Business Activities for Civil Servants. Included in the understanding of private business here are business concerns established by foundations under the auspices of the Department of defense and Security, service branches, the national police, or armed forces units. "Each branch has a foundation. Each foundation has a business unit. There are many of them. No active-duty officers may serve in these units," said Adm Sudomo.

The Department of Defense and Security itself is considered the sponsor of PT Tri Usaha Bhakti, which was officially established in 1968 by Gen Umar Wirahadikusumah, Mokoginta, Rudy Pirngadie and others. In 1966 about 40 businesses had been established by army officers in order to seek additional income. Later all of the companies were united into PT Tri Usaha Bhakti. The air force, navy and also the national police owned companies of that sort, whose objective actually was to take in the retired officers. Be that as it may, many officers on active duty worked there.

Many Who Went Bankrupt

Lt Gen M. Kharis Suhud, chief of the Administrative Staff, views the directive in the light of the needs of the Department of Defense and Security itself. At present, in line with development progress, the armed forces are buying a lot of new equipment: airplanes, warships, artillery, tanks and so forth. Officers are needed, therefore, who can manage these purchases. But armed forces officers who have business skills are tied up in private activities. For that reason the minister of defense and security has decided these officers must be pulled out for the time being. "Meaning those involved in business pursuits," he said.

How these officers came to be involved in the business of trade, according to Suhud, was that at first they were assigned to those positions. It began in 1957. The fight over West Irian was taking place and the Dutch didn't want to relinquish that territory. Then Dutch enterprises were nationalized.

"But just at that time PKI [Indonesian Communist Party] was also on the move through its SOBSI [All-Indonesia Federation of Labor Organizations]. SOBSI was powerful in Dutch companies. Then immediately after the Dutch companies were taken over, the armed forces entered and officers were assigned to the companies."

"Now, everything was going well, except in the field of trade. Many formerly large trading companies became small and went bankrupt because the officers had never been taught the business. They had no business skills. In addition, many workers, most of whom were PKI members, helped to undermine the companies."

"At that time the number of officers assigned to trading companies was quite large. But as time passed the number became smaller and smaller because of company bankruptcies. Then the officers were pulled back to Hankam again," said Suhud.

Today no more officers in the Indonesian Armed Forces are engaged in private business. In addition to being barred from private business, the officers may not hold the position of supervisor, commissioner or director of a private company. They also may not own /preferred stocks/, that is those stocks or capital that, because of their quantity or ownership characteristics either directly or indirectly influence company operations.

But this ruling does not mean that members of the armed forces are forbidden to own ordinary stocks. "Owning shares in private companies is /not/ prohibited, as long as they are not preferred stocks that exert an influence over the way the company is run," said Sudomo in his office.

For members of the armed forces whose rank is first lieutenant junior grade or lower, the ruling is rather mild. They are not forbidden to engage in private trade or business activities. That is also true for the wives of members of the armed forces on active duty with the rank of colonel or lower. But to do so they must obtain official written permission from the proper authority.

"They can sell rujak [snack food], for instance, to add to their husband's income. Those officers whose rank is first lieutenant junior grade or lower may engage in trade to supplement their income. But then they must obtain official written permission from the proper authority."

The directive, of course, does not say anything about children or sons/daughters-in-law of senior officers. What it means is that if senior officers or their wives have been immoderate in their ownership of private businesses which are affected by the defense minister's directive, they can simply transfer the businesses to their children or sons/daughters-in-law. Children or sons/daughters-in-law of armed forces officers are not barred from engaging in business. Only their fathers and mothers are prohibited--and then only if it is private business.

If they are involved in business or trade for a state-owned company, no restrictions are placed on senior armed forces officers. What is meant here is business concerns or corporate bodies active in the business field and established by law, financed in part or totally by the state, either in the form of a public utility (Perum), service enterprise (Perjan), shareholding enterprise (Persero) or regional company.

When requested by the department concerned, armed forces officers may be placed there, even given full-time assignments, especially in vital state-owned companies. "For example, officers in PT Timah [Tin Company] can continue to work there. Although they are involved in trade, they are working for the state, not a private concern," said Adm Sudomo later.

Although PT Pantja Niaga is a state-owned company under the Department of Trade, because it engages in general trade, its president director (an armed forces officer) must ask to be retired if he wants to continue to manage the company. Army Brig Gen Djukardi Odang, 52, has submitted his application for retirement to the defense minister. Odang has headed the company since 1966. As soon as the defense minister's directive went out, Odang said he would return to Hankam. He admitted that at first he wasn't interested in becoming a businessman. Later, it turns out, the world of business held out the greater challenge for him, closing off his interest in returning to Hankam. Finally he asked that his retirement be sped up. This November Odang will become a retired officer.

"I entered the world of business because I was ordered to do so. As a soldier I must follow orders. It's not a matter of wanting to. And I must carry out my duties as well as possible," Odang said to EKSEKUTIF. Evidently the world of business makes him shine. Several years ago he was chosen as model businessman, a title that indicates his achievements.

Pantja Niaga is, of course, one of the few state-owned companies that have been successful among the many that have failed. "Business regulations must be enforced. Sometimes they're heartless," said Odang.

When he was still a major in 1966, Odang was ordered to head Pantja Niaga, which at that time was almost bankrupt because of an excess of employees. There was no money. To resolve the problem, Maj Odang, graduate of the Law School at the University of Indonesia, asked the advice of the university's Management Institute. According to the institute, the number of employees had to be decreased to a work force of only 500. Fifteen hundred workers had to be dismissed. "Laying off 1,500 workers is really a most difficult task, all the more because many were members of the armed forces. None of them had any money. So I went to BNI 46 [Indonesian State Bank 1946] and was able to borrow 250 million rupiahs. With those funds I was able to provide separation pay for those who had to be laid off," he said.

Only after the workers were dismissed could the company get moving and make progress. PT Pantja Niaga not only developed in the field of trade, but also in distribution, construction, production and other fields. Pantja Motor was in the automotive business. Pantja Contracting was in the construction industry, with markets spread as far as the Middle East. PT Tri Sari Veem was in warehousing, and PT Djengger Tour established a tour business. Furthermore, Pantja Niaga has had 27 domestic branches, subbranches or agencies and three agencies abroad. The president commissioner of PT Pantja Niaga is Brig Gen Drs Mardiono, now holding the position of secretary of the cabinet. Members of the commission include Police Maj Gen (Ret) Drs Darjono Wasito and Drs Moh. Haris.

If Djukardi Odang was affected by the defense minister's directive, was Brig Gen Murdiono as president commissioner automatically affected as well? "No," said H. E. Mugni S., company management secretary, "because Gen Murdiono's chief responsibility is secretary of the cabinet." "In Pantja Niaga he is only president commissioner," the secretary said further. So Gen Murdiono is free from the responsibility of choosing.

Choosing between the armed forces and business is difficult indeed. Djukardi Odang himself confesses he would have been happier not to have been ordered to choose, because he had entered business on the basis of an order. It would have been better if they had just issued new orders: Brig Gen Odang is hereby withdrawn from duty in Pantja Niaga and ordered to Hankam. "Crystal-clear!" he said.

And if that had happened? "I would have been willing to hand over control of Pantja Niaga to civilians. What is important is loyalty to the government," said Odang.

Cattle Trade

After the defense minister's directive had been issued, a new policy was established on the matter of assignments. "We will not give assignments if there is no request from the department involved. If there is a request, only then will we transfer or place the individual. Then we have to do it. If there aren't any requests, well, we just won't issue a transfer."

"But there are many also who are still asking to remain in the armed forces. Pak Sumarlin, Pak Radius, Pak Widjojo have all decided for the armed forces--in order to confront those who have misbehaved. Haven't the armed forces been trained to command? What is needed is leadership capability to confront them," said Gen Suhud, chief of the Administrative Staff.

In confronting all kinds of social problems, the armed forces have followed these principles: Is it constitutional? Does it prioritize preventive measures? Is it humanitarian? Does it educate in order to increase capability/? What it means is having to teach civilians. If, therefore, someone is ordered to Hankam, a capable civilian can replace him.

If an armed forces officer who is in active service is barred from business affairs, it is precisely the MPP [Retirement Preparation Period] officers who are suggested as the ones who could go into business, said Suhud further. It would be best for them to engage in private enterprise because their pensions are not enough to live on.

But obstacles for the pensioned officers are not small either. The government must train them. "These individuals are only skilled in holding weapons. If they are not trained, they will have a difficult time. There are many retired officers, thousands of colonels and hundreds of generals. But only a handful get ahead. Not many. The problem is there are those who want to work and those who really don't want to," said Vice Adm (Ret) O. B. Syaaf.

They are looking for a free ride, he said further. "A free ride off those who have capital. Then those who have capital use them in order to obtain favors. So all they have to do is twiddle their fingers. That is what is not right. Actually the retired officers can ask for credit at the bank and then go into business for themselves. Many retired officers don't want to work hard. So they become puppet chief directors."

The training program at Hankam's Management Institute is very useful, because the basics of management can be applied to all fields, said a retired admiral who currently sits as director of PT Graha Purna Yudha and commissioner of PT Bonded Warehouse.

Brig Gen (Ret) Acub Zaenal doesn't want to become a puppet. "In business I don't want to be under someone else. For that reason, I must be the largest stockholder when establishing a business. I plan on becoming the chief director of each of my companies. I don't want to simply be made into a puppet. I also don't want to be made a commissioner. I might be deceived again," he said.

He was indeed once deceived. After being released from military service and retired from his position as governor of Irian Jaya, Acub Zaenal entered into the cattle trade business. Often deceived, even by his own friends, he sold his Bali cows in Jakarta. His capital amounted to 12 million rupiahs. But after the Jakarta transaction, he only had 6 million rupiahs left. "Now, what happened to the other 6 million? I don't know. Obviously I was mistaken about the creditability of certain individuals," he said.

Clearly business cannot be part-time work if one is going to succeed. On the contrary, during the initial phases it is often necessary for one to become directly involved in the performance of the work. "From the moment I entered business I have never cultivated government markets, only markets in the private sector. Perhaps that is why I have not received any favors. I was in such a hurry looking for opportunities, I never took care of my pension," he said. As a businessman Zaenal has indeed been successful. He has many enterprises: PT Honolulu Film, PT Alpha-Zenith, a timber concession in Irian Jaya, and currently building an office complex in Yogyakarta.

Different from most retired military officers, Acub Zaenal does not agree if favors are given on the basis of being in solidarity with the armed forces. Business is different from the social domain. The institution of business is not a social institution. Even business achievement differs from social achievement. "But if the basis for the granting of favors is the development of individual capability and a balanced, positive contribution in an effort to fulfill the needs of the armed forces, then that is OK. The principle I follow is also valid for locating former armed forces personnel in business. The basis of the principle is a person's ability and achievement in business organization," he said.

Maj Gen (Ret) Haji Moh. Anwar, director of PT Lokta Karya, evidently is also averse to asking for favors. This company is involved in the import of weapons for Perbakin [Indonesia Shooting Association; small arms]. His idealism is still directed to the sport of shooting. "At the time of my retirement I am proud I can still contribute my energy to the building of the nation's character," he said. This grandfather with six grandchildren took the opportunity to say that he would not undermine the nation by asking for different kinds of favors. "As long as one believes in the teaching of religion, rightful fortune surely will come," he said. Last year his company had sales of 500 million rupiahs. Because the company is involved in security matters, a professional [civilian] manager cannot possibly run the firm. That is the reason the retired major general is there.

Confirming O. B. Syaaf's remarks, Haji Moh. Anwar also sees many retired generals who are tempted by wealth. Those who have money do not seek skills but protection. Many stumble into the trap of the wealthy. "And the danger is the further into the trap you get, the thirstier you are for money. This is the cause of the widening gap between rich and poor," he said.

Concerning the change of profession from military to business, he said an armed forces officer--especially one who had led in battle--surely could manage a company. In business, of course, there is the problem of mutual deception. Even in the military there is intelligence knowledge. But when it comes to discipline and work stamina, the armed forces have no equal.

Acub Zaenal is not surprised by those kinds of changes in profession. "Indeed there are many similarities between the military and business. Competition is the same as doing battle. Pursuing contracts and profits is the same as pursuing and defeating the enemy. Once there is a clash of arms with the enemy, the contact must be maintained so that the enemy does not escape. It would be difficult to find him later. So too when you meet with a fellow businessman or a consumer. He must be pursued and contacted. In the military there is strategy. In business also there is strategy. There are even tactics," he said.

Even though there certainly are many similarities, Air Marshall (Ret) Sri Mulyono Herlambang feels it a little strange to change professions, because one must begin at the bottom. After retiring in 1967, he began a career in business by raising 200 chickens. He needed a kind of mental discipline to free himself of the uneasy feeling he had because of his self-esteem--a soldier who had become a businessman. By raising chickens the air marshal could meet traders in the marketplace, pharmaceutical agents, and chicken farmers in the villages. One's mental state must be changed. This is what was most difficult for him as a senior officer who, whether he wanted to or not, had to maintain his social status.

In order to increase his knowledge, Sri Mulyono Herlambang had no qualms about studying again by taking management courses, attending seminars and so forth. Having been able to sell eggs and chickens, he then gathered up the courage to increase his business--by selling planes! Well, why not? "To date I have sold 70 planes. My customers include Merpati Nusantara Airlines, the Curug flight school, and the Adisucipto Air Force Academy." His chickens have also multiplied. No longer 200 but 10,000 chickens. Under the stipulation that he couldn't raise any more than 5,000 chickens, he said, "I had to put on the brakes."

Besides owning a chicken farm, Herlambang also owns six other businesses in a number of different fields, from selling planes, selling spare parts for the planes, aviation consultant, EMKU [expansion unknown], travel bureau, door-to-door parcel delivery, to selling chicken eggs. He has so many businesses that he admits he has never studied his sales in detail. "But because of the government's policy of equal distribution, I had to rein myself in. I could head many enterprises," he said, "but six is enough--besides raising chickens."

As a businessman formerly in the military, he holds to the principle that he must become an example, especially because of his spirit of endeavor. What it means is that state interests must come before the interests of groups. And the interests of groups must come before self-interests.

By this principle he continues to try to help fellow retired officers get involved in the business world. In his office he has employed many retired officers. He now has become head of the Hankam Friends Association, of which 1,800 companies are members. Apart from raising the living standard for retired officers, another goal of the association is to aim for a future defense industry by using experience and profession and by helping to protect state secrets. In any case, there are no active-service officers working in the association. Only retired officers are channeled there. Therefore the association is not affected by the defense minister's directive.

Keep On Going

Is the defense minister's directive of 1979 an indication that the Dual Function of the Indonesian Armed Forces [national security and social action] is going to diminish?

"Conceptually the dual function of the armed forces will continue to exist. Aren't the armed forces from the people themselves? So, the understanding of dual function is we too must join in being responsible for the development of the nation. As a social force, we join together with other social forces in actively developing our nation. In developing the nation the armed forces can offer suggestions and be actively involved in the executive, legislative or judicial fields," said Adm Sudomo.

Here, then, is the understanding of the dual function of the armed forces: a social force together with other social forces responsible for the progress and decline of the state. When civilian leadership and professionalism increase, then society's need for the armed forces in that role will diminish. "And we would be wrong not to train cadres of them. The number of civilians who are capable of leading is also increasing more and more through different kinds of education, tours of duty and so forth," said Sudomo. The admiral sees a lot of progress in civilian leadership, whether as governor or district head, and their achievements are unequaled.

Similar remarks were made by Gen Suhud. "As long as there is a Pancasila [state ideology] based on the principle of national family spirit, the concept of dual function will continue to exist. The armed forces are a social force. Theoretically executive offices, for instance, are not related to the armed forces. But in practice is that possible? PKI is a latent threat. Even though we are not combatting the communists any longer, that doesn't mean that communism does not exist. We are members of the large family of nations. Many countries in the world profess communist ideology. And, whatever else may be, they will continue to carry out their goal of communizing the world," he said. For that reason the Indonesian Armed Forces will continue to be needed, even though not in great numbers.

9792

CSO: 8127/0210

NEW INVESTMENT FOR RAILWAY DEVELOPMENT DISCUSSED

Jakarta KOMPAS in Indonesian 28 Sep 81 pp 1, 12

[Article: "Large-Scale PJKA Development Has Begun; Investment Credit of \$525 Million and 93.5 Billion Rupiah is Allocated"]

[Excerpts] In the coming 5 years, from 1981-82 through 1985-86, Indonesian State Railways (PJKA) will enter into an unprecedented large-scale development phase. For such development the government has allocated \$525 million in investment credit to which 93.5 billion rupiah have been added.

Eng Pantiarso, PJKA executive director, told KOMPAS in Bandung last week that this investment program is aimed at increasing and repairing the PJKA productive structure, increasing passenger service at an average rate of 7 percent per year, and supporting an increasing demand for freight transportation.

With such a large investment, Pantiarso said, there will be a drastic leap in PJKA freight service. For Java the increase is estimated to amount to 71 percent, for South Sumatra 169 percent, and what is more, for West Sumatra 376 percent. If the Bukit Asam project is completed by the end of 1984, freight transport in South Sumatra will rise by 751 percent by 1985-86.

Pantiarso said changes in the productive structure will also affect PJKA revenue. By 1985-86 revenue will have risen by 41.5 percent over that for 1981-82 which is estimated to total about 53 billion rupiah. Furthermore if the Bukit Asam project is completed, PJKA revenue for 1985-86 will rise by 98.1 percent.

"With the enormous leap in revenue, it is expected that the deficit for 1985-86 will be reduced to half the 1981-82 deficit," Eng Pantiarso remarked, without providing any detailed figures. Further, an allocation for maintenance that more nearly approaches actual requirements will be possible and consequently the burden placed on DIP (project schedule) for maintenance will be lessened.

Of the \$525 million credit package, 75.2 percent will be used to purchase locomotives and rolling stock, 19 percent will be used for infrastructure, and 5.8 percent for other requirements. About 60 percent of the budgeted 93.5 billion rupiah will be used to fund infrastructure development and the remainder will be used for other requirements that support the development project.

The loan is also significant for passenger transport. For the coming 5-year period, it is estimated that passenger service, expressed in passenger-kilometers, will increase by 37 percent. For Java the annual increase in passenger-kilometers will be 10 percent.

Pantiarso said primary attention in regard to the investment credit will be given to railway maintenance and adding locomotives and rolling stock. First priority is to be given to rail line maintenance, that is, on 2,500 kilometers of primary rail lines in Java.

This is to be followed by the approximately 300-kilometer line in South Sumatra from Kertapati to Prabumulih to Tanjungkarang, the line from Prabumulih to Lahat to Lubuklinggau, and the 200-kilometer North Sumatra line from Rantau Prapat to Medan to the Belawan sector as well as the Belawan-Besitang line. Thereafter priority is to be given to the West Sumatra line that supports coal and bulk cement transport, that is, the approximately 150-kilometer line from Padang to Sawahlunto.

Pantiarso compared Indonesia with Thailand which has 4,000 kilometers of track that serves a population of 35 million with 1,500 passenger cars. Java, with 4,500 kilometers of track and must serve 91 million persons has only 800 passenger cars. With this huge investment credit, 300 passenger cars and about 100 locomotives will be added to the system.

Freight volume is expected to jump drastically compared with earlier years because in the same 5-year period PJKA must support rapid development in the industrial, mining, and agricultural sectors, particularly that which is expected to occur in Sumatra. It is planned that for fiscal 1982 PJKA will carry about 5.899 million tons of freight. In 1980-81 PJKA freight volume amounted to only some 4.224 million tons.

To meet expectations for this period, Executive Director Pantiarso said, PJKA will add a number of freight cars and locomotives. About 1,800 cars will be added to the 12,000 now on hand. With its current capacity, PJKA is transporting about 4 percent of the total national land, sea, and air freight traffic. Records show that PJKA has transported 973.06 million ton-kilometers annually.

Black Sheep

To date PJKA has been transporting negotiable freight such as oil, cement, fertilizer, coal, and estate products and non-negotiable goods consisting of nine basic commodities, asphalt, cattle, stone, sand, and other items. In addition, in years past PJKA has transported "fragile" items such as electronic goods, textiles, and automobiles.

PJKA now owns various types of freight cars, depending on what is needed: enclosed cars, semi-enclosed cars for cattle, gondola cars for carrying sand and stone, flat cars for transporting timber and vehicles as well as kettle cars for oil transport.

Eng Pantiarso did not have much to say about rates since these are set by the Department of Communication. In this regard, PJKA merely submits proposals based on actual cost calculations, competition, value of the transport or service, value of the load, and government policy. PJKA freight rates are lower than those for highway transport.

Persons or companies needing PJKA service can request a coach or freight car since by nature, this is a public service. Anyone, company expeditors or individuals, can obtain freight cars to transport their commodities.

PJKA guarantees that the freight will arrive on time at the required destination. Compensation can be requested if the goods do not arrive on time.

PJKA also guarantees that the freight will arrive at its destination safely. To prevent anything undesirable from happening, PJKA lays on special supervision which is carried out by a railway security unit (SAT PAMKA). PJKA also authorizes the use of private guards to escort the freight if the customer so desires.

Pantiarso admitted that, viewed from a profit angle, freight transport is more profitable than passenger transport in the ratio of two to one.

Almost all of PJKA capacity for freight transport is used, and PJKA often finds itself unable to meet demand for service because it does not have enough cars to meet all public transport demand. Yet, with the little development that PJKA carries out from year to year, obstacles can be overcome. Nevertheless Pantiarso admitted that PJKA capability continually fails to meet demand for freight service.

Pantiarso could not say when the Jakarta-Surabaya line will be "double tracked." As a service agency, PJKA does not have to concern itself with making a profit. "In conformance with the GBHN [main line of national policy]," Pantiarso said, "PJKA focuses more on its social mission and therefore is not profit oriented." The government merely expects that PJKA, in the first phase, will be able to cover operating costs.

6804

CSO: 4213/07

KEMAL IDRIS DISCUSSES HOTEL CAREER, PHILOSOPHY

Jakarta JURNAL EKUIN in Indonesian Sep 81 pp 1, 12

[Article by Agus Suprihanto Soerono: "Kemal Idris: From General to Diplomat to Businessman"]

[Text] A. Kemal Idris, executive director of the Gryawisata Hotel Corporation, admitted that the pension he receives as the former commander of the Bali-Nusatenggara Defense Region would not cover his living expenses.

After completing his last assignment as ambassador to Yugoslavia and Greece in 1977, he dived into the hotel business. The Gryawisata Hotel Corporation was established with a brother in arms.

What attracted a military man to the hotel business? Kemal said it was because of a survey he made while stationed in Tito's land. The tourism sector was the biggest foreign exchange earner for that country. The situation is different in Indonesia where things are still a bit precarious as far as tourism is concerned. Yet the obstacles and challenges faced by Kemal Idris in founding the Singaraja Bali are not those put before him by foreigners but by Indonesians who doubt their own people's abilities.

Although he is a retired lieutenant general, Kemal Idris doesn't want to lean on this title to seek facilities for his business. "If I must see a lieutenant, I call on him as a private individual," he remarked. He is determined not to use his former position to get what he needs, and he does not want to beg for assistance. He wants to develop his business as any private individual would have to.

With a loan of 15 million rupiah, Kemal began to work himself into the hotel business. The fact that he is an extrovert helped bring him success. He began by managing a hotel, then added a restaurant and a cleaning service. With a turnover of 150 million rupiah annually, Kemal can afford to relax.

The business grew from year to year, and now in his home town he is organizing a hotel merger under the name of "Bali Sanur Bangalows." It includes the Peneeda View, Besakih, Irama, Puri Dalem, and Respati units.

In recounting the history of the Bali Sanur Bangalows which he has just inaugurated, Kemal Idris said the hotels which were merged into the BSB were small hotels that

ran into problems with repaying their bank debts. They solved their problems by agreeing to the merger. With the aid of a team of appraisers, they were able to pay off their debts with the price received for their property. Eighty percent of what remained after paying off their debts was converted into BSB shares and the remaining 20 percent was paid to the hotel owners.

Gryawisata, considered to be expert at organization in the hotel field, was asked by the bankers to handle the merger. The reorganization of the hotel began in 1978, and the first step undertaken was the creation of a new image for the hotel as a stepping stone to the future development of BSB.

A shareholder as well as owner is a consortium of banks consisting of the Bank Bumi Daya, Bank Rakyat Indonesia, Bank Exim, and BAPINDO [Indonesian Development Bank.] BAPINDO became involved because it took over the shares of the former hotel owners prior to the merger.

Initial Step

When Bali Sanur Bungalows ran into trouble because of a lack of equipment and skills of its employees, the organizers, as a first step, integrated the employees who came from different hotels and consolidated their skills.

The organizers had some problems with adjusting the different wage scales that had been in effect at each of the hotels in the merger, because under the labor law workers' wages cannot be reduced automatically. But with the ongoing integration, the differences in employees' wages could be resolved by BSB.

Kemal said that under "house rules" that were established, the employees knew when they were entitled to a wage increase. In addition such increases were dependent on the management's evaluation of an employee's performance. Moreover, workers who performed well were to be given an opportunity to expand their job skills. With the establishment of these house rules, the workers felt they had a bright future and they knew what could be expected.

In the first year of the renovation, BSB's occupancy rates were adequate. Overall, however, they still suffered losses because installments had to be paid on the debts incurred for integration and for modernizing the hotel equipment so that proper service could be offered. In line with its job as caretaker, Kemal said, Gryawisata had to make renovations as requested by the shareholders.

Having BAPINDO as a shareholder was a wise move for the bank granted credit for the hotel renovation.

"The difference in the hotel before and after renovation is like the difference between night and day," he said drawing a comparison.

"After changes were made, the guests felt more at home in the hotel," he added. The number of rooms were increased from 111 to 160. With the completion of the Respati unit, which is expected to be in operation in December 1981 as a "youth hostel" (with relatively low rates charged), the capacity will be increased to 200 rooms.

"The hotel can no longer be considered a small hotel and it is even beyond being considered a middle-sized hotel," Kemal said.

The cost of renovation, he said, has risen each year because of inflation. According to the latest records, renovation costs total 1.2 billion rupiah.

It was calculated that the high debt incurred would be returned within 10 years. However," Kemal said, "with the increasing numbers of foreign tourists who come to Bali and stay at the hotel, the debt is expected to be paid off in a shorter time. The occupancy rate for the Hotel Bali Sanur Bungalows was recorded at more than 70 percent but in July and August occupancy was 90 to 100 percent." Most of the guests at the BSB Hotel come from Australia and Holland because preference was given in marketing the hotel to visitors from the lands of the kangaroo and windmills. To attract even more guests, each unit was equipped with a swimming pool, lobby, restaurant, and kitchen, which match the size of the hotel, in order to serve guests more rapidly. This differs from the situation prior to the renovation where guests were not assured that their food orders would be served in 45 minutes. "Now a food order can be prepared in a short time," he stated with assurance.

Concerning his ambition to be awarded the "star," the Gryawisata executive director said this was tied in closely with the equipment available and the service provided. He judged that with the renovation, the quality of the hotel is much like that of the big hotels. An evaluation of the hotel has been submitted to the director general of tourism toward being awarded the star. "I expect BSB to be given three or more stars!" he said optimistically.

"It may get four stars, but it will get at least three," he added.

Speaking about Gryawisata, Kemal Idris said the hotel was built on an ideal, namely that he wanted to dispel the general view that white men are always more capable than Indonesians. As a comparison, he said that Indonesians proved themselves capable when they seized independence from their colonizers. So, this is a "de facto" admission that Indonesians can organize. This also means that the fourth force of ABRI [Indonesian Armed Forces] must give evidence of its capability to plan exercises. "Of course we ask foreigners for assistance to raise our weaponry skills, but these foreign experts never are appointed as battalion, company, or other commanders. They are merely asked to provide guidance as to how we can raise our capabilities, how to use equipment, how to handle maintenance, and for other matters," he said spiritedly.

The same is true for the tourist business in the economic sector. He brought in experts whose knowledge can be tapped to improve the management of the hotel, to point out that should be improved in methods of operation, handling of financial matters as well as establishing career ladders for the employees. "This does not mean that I am anti-foreigners. If they must be brought in, okay! But records must be kept and within such and such a time, they must be able to train two or three persons to replace them," he stated firmly.

He said he saw over 20 foreign workers employed in each of the big hotels in Jakarta. "How can we show what we are capable of doing if our people are never given an opportunity to handle a job?" he said stingingly.

Kemal believes it necessary to drill the need for confidence and the need for opportunities into the minds of government officials and private individuals because they lack confidence in the capabilities of their own people.

Gryawisata continues to spread its wings based on Kemal's ideal. In the field, Gryawisata manages the 210-room Hotel Tiara Medan owned by the Exim Bank. The company also acts as a consultant to hotels in East Java. The company's position is judged as increasingly stable through its own efforts. Kemal also manages the 80-room Hotel Swarna Dwipa in Palembang, which cost 600 million rupiah and is owned by the South Sumatra Regional Government.

6804

CSO: 8127/0207

PARLIAMENT APPROVES NEW CRIMINAL CODE

Kuala Lumpur BUSINESS TIMES in English 17 Oct 81 p 6

[Article by Francis Daniel in Jakarta]

[Text] THIRTY-SIX years after independence, Indonesia has decided to scrap its old colonial criminal laws as too complex, harsh and inadequate to protect individual rights.

Parliament last month passed a new, streamlined criminal code to replace the century-old *Herzien Inlandsche Reglement*, inherited from the Dutch.

The code, enacted after years of public criticism of the old laws, will take effect after formal presidential endorsement, expected in the next few weeks.

Officially described as historic, the new code will, for the first time since Indonesia's independence in 1945, limit the period of detention before trial.

It will also allow defence lawyers to witness police interrogations and seek compensation for wrongful arrests.

But leading lawyers here said that the new code still had many loopholes that could be used to detain anyone without trial or cover up official irregularities.

They pointed out that the so-called "special laws" dealing with subversion, including corruption and economic

crimes, have not been brought under the new code.

The military-backed government of President Suharto has only said it intends to change the "special laws" and incorporate them in the new penal code "in the shortest possible time."

Government backers argue that the subversion laws are needed at present for national security purposes and deny that they are being kept out of the new code for political reasons.

The anti-subversion regulations were first introduced by the late President Sukarno as one of many decrees under his "guided democracy." It was revoked in 1966, but was reimposed in 1969 to round up radical and underground elements, including members of the outlawed Communist Party of Indonesia (PKI).

At one stage in the early 1970s more than 30,000 people were held under the regulations, but the number has since dwindled to a few hundred — the bulk of them believed to be Muslim extremists.

Critics of the new law say that legal assistance a defence lawyer could provide during police in-

terrogations remain too vague. In cases involving national security, the lawyers will be allowed to watch but not listen to the questioning.

Brushing aside criticism from the legal profession, Justice Minister Ali Said hailed it as a milestone in Indonesian jurisprudence and "a step forward in meeting the basic human needs."

The principles of "presumption of innocence, fair trial and equality before the law" were all enshrined in the new code, he said, adding there would no more be arrests on suspicion alone. A warrant of arrest specifying the charges should be produced at the time of detention.

Current laws set no time limit to detention. But the new edict spells out the pre-trial detention period for various offences after which a suspect must be released if evidence of his guilt cannot be established.

"There will be no more cases in which defendants are detained up to nine years without trial as in the past," the Justice Minister said.

One feature of the new code is the concentration of arrest and detention

powers in the police, who at present share the power with regional military commanders, public prosecutors and the attorney-general's office.

A leading civil rights lawyer, Adnan Buyung Nasution, described the unified command structure under the new code as a breakthrough in simplifying pre-trial procedures.

But he doubted if the new system could be implemented throughout the 13,677 islands of the Indonesian archipelago where military commanders have held sway. Others said it would be a long time before police gained the legal knowledge necessary to handle the new powers.

The Justice Minister also held out the hope that the new code would help reduce corruption in the Indonesian official investigative machinery and the judiciary.

In the past, even plaintiffs had to give bribes for their cases to be heard, he said.

But Mr Nasution maintained the new laws contain defects and said a group of leading lawyers, educationists and social workers were studying ways to remove them in the coming years. — Reuter

U.S. COMPANIES LEAD IN INVESTMENT IN PETROLEUM SECTOR

Kuala Lumpur BUSINESS TIMES in English 27 Oct 81 p 3

[Article by Richard Cowper in Jakarta]

[Text] OIL and gas dominates much of Indonesia's economy, but direct foreign investment in this sector has always been a closely guarded secret. The result is that Japan has always been thought of as the country's leading investor.

But figures recently uncovered show that foreign investment in the petroleum sector accounts for about 60 per cent of all foreign investment in Indonesia, and that the US — critically important in the oil and gas sector — overshadows Japan as Indonesia's foremost investor.

Indonesia is the largest oil and gas exporting nation between the Persian Gulf and the west coast of America. Despite this, publicly available statistics on direct foreign investment in Indonesia have always excluded oil and gas.

This has disguised the overall size and relative importance of foreign investment to Indonesia's economy, and the key role played by American companies and investment.

Figures newly acquired show that in the last decade foreign oil companies spent around US\$9.5 billion in Indonesia (excluding liquefied natural gas), of which US\$5.8 billion might fairly be described as investment. Of the latter more than US\$4 billion was invested by US companies.

The figures show that foreign investment in the petroleum sector accounted for around 60 per cent of total implemented foreign investment between 1971 and 1980.

According to the Bank of Indonesia, realised foreign investment in the non-oil sector during the last 10 years was US\$3.8 billion. Added to the US\$5.8 billion invested in the oil sector, this takes the total foreign investment in Indonesia during that period to US\$9.6 billion.

Japan, which dominates the non-oil sector and is widely believed to be the country's top foreign investor, accounted for around 30 per cent of this total while the US accounted for more than 40 per cent.

America's desire to play down the key role that it performs in the country's economy,

coupled with Indonesian political sensitivities over the size of the foreign stake in its economy, explain much of the official reticence in providing figures for foreign investment in the petroleum sector.

Difficulties in deciding on a precise definition for investment also play a part. In theory, spending on petroleum exploration and production by contractors in Indonesia is not investment, since the title on all equipment changes to Pertamina, the state-owned oil company, as

soon as goods enter the country. However, experts dismiss this as a technicality, and generally agree that money spent on exploration, development and facilities, but not production, is most accurately defined as investment in the oil industry.

Looked at from the perspective of total spending by foreign companies, Japan may still be considered Indonesia's biggest spender. Because of the high demand for working capital in Japanese ventures in Indonesia, direct investment accounted for only a small proportion of their liabilities, perhaps 20 to 30 per cent. Thus Japanese companies, it seems, spent more money in Indonesia during the 1970s than American companies, but invested less.

Petroleum is crucial to Indonesia's economy — accounting for virtually 70 per cent of the country's exports, and around 70 per cent of the government budget.

Foreign companies, mostly American, play a commanding role in this sector. Eleven of the 16 foreign companies producing oil in Indonesia last year were American. Between them, these US companies accounted for over 80 per cent of Indonesia's oil production of 537 million barrels, and just under 80 per cent of the country's gas production of 1 trillion (mil-

lion million) cubic feet.

Just how much these companies earn in Indonesia is by no means clear. But according to a US Department of Commerce report, US\$2.4 billion flowed back to the US in 1979 from profits earned by US companies in the Asia and Pacific region, and the largest proportion was generated in Indonesia.

These companies are now pouring new money into Indonesia at a rate that has not been equalled since the near collapse of Pertamina in 1975.

Indonesia's political stability, its lack of foreign exchange controls and the rising price of oil (which has made it more attractive to tap the relatively small oil fields which are characteristic of most new finds in Indonesia) have all combined to generate the current boom in exploration activity.

Last year, foreign oil companies spent a record US\$1.9 billion on exploration, development and production in Indonesia. This year they are budgeting for a total expenditure of US\$3.2 billion.

Though Japan is now beginning to invest more in Indonesia's oil sector, of the US\$1.5 billion which the Government expects oil companies to invest this year, over 70 per cent will be accounted for by US companies. — FT

BANNED BOOKS TO BE TRANSLATED, PUBLISHED ABROAD

Kuala Lumpur BUSINESS TIMES in English 28 Oct 81 p 19

[Article by Peter Griffiths in Jakarta]

[Excerpts]

INDONESIA'S best-known novelist and ex-political prisoner, Pramudya Ananta Tur, plans to publish his latest works abroad despite a ban on two of them by the Indonesian government.

A translator has just finished the English version of *Bumi Manusia* (The World of Man), the first four novels secretly written during the 38-year-old author's 14 years in detention. He was released in December, 1979.

Negotiations were going on with the London publishing companies of Longman and Collins, Pramudya told Reuters and it was hoped *Bumi Manusia* and three related historical novels would be on sale by the end of next year, not only in English but in Japanese, Chinese, Russian and German.

A Dutch version of *Bumi Manusia* has already appeared and released wide critical acclaim in the Netherlands.

Pramudya was imprisoned with an officially estimated 120,000 other suspected communist sympathisers following the 1965 communist-inspired coup attempt.

He was never formally charged with a crime, he denies he was ever a communist but says his guilt lay in his association with the communist-affiliated cultural association, Lekra.

Lekra itself effected a ban on the works of some writers opposed to Sukarno after it won a measure of control over Press and artistic groupings from 1963 to 1965.

"The situation at that time was quite different. Then Indonesia had many enemies," he said.

"I joined the revolution to maintain the people's unity. I never proposed any banning of books but neither did I oppose it," he added.

Pramudya insists he has no regrets over the activities of Lekra, which he justified in the cause of national unity. This is almost the same argument used last May when Pramudya's novels were banned by Kopkamtib (the Command for the Restoration of Security and Order) and by Attorney General Ismail Saleh.

Two of the four books Pramudya wrote on Buru Island — *Bumi Manusia* and *Anak Semua Bangsa* (A Child of All Nations) went on sale here last year.

Published by a company formed by two of the author's fellow Buru Island prisoners, the books were immediate hits.

Bumi Manusia sold over 40,000 copies through five printings, making it the biggest selling work of fiction in

Indonesia's history.

But last May 29, the Attorney General announced the ban on the grounds that they threatened "the security situation and general order." The books emphasised Marxist-Leninist class struggle, officials said.

Security authorities directed all people owning copies to hand them in immediately to their local police stations. Only a small proportion of those distributed were returned.

"I have never studied Marxist-Leninism ... but it is true I am on the side of the people. What might worry some people now is that history repeats itself," he said.

There are plans to publish the second two novels of the quartet, *Jajak Langkah* (Step Forward) and *Rumah Kaca* (Glasshouse) in Indonesia soon.

"According to the law all new publication must be submitted to the Prosecutor General's office within 48 hours of release. We can distribute plenty of copies within that time," one of Pramudya's supporters said.

But the future of their "ex-prisoners" Hasta Mitra Publishing House is uncertain. One of the two former internees who ran it, Joesoef Isak, was arrested on the orders of Kopkamtib

earlier this month.

His detention, along with four university students, followed a talk the author gave at Jakarta University on Sept. 24.

The students were later released after questioning about who organised the talk. One of them was Isak's son.

Pramudya was confident the publisher would also be released soon. "If you look at the way things are now I don't suppose he will be held for another 14 years," he said.

Since his release and return to Java, Pramudya has had to report weekly to the military police. He has no passport and may not leave Jakarta without special permission.

The quartet is set in the Dutch period and focuses on Javanese life in the early 1900s. In his own words the novels deal with the problems and conflicts of a country moving from old to new.

Pramudya began by relating his stories to fellow Buru Island prisoners, for as a senior Indonesian official quipped in 1971, "Pramudya is allowed to write — but he has no pencil and paper."

Later the authorities relented and he was allowed a typewriter. — Reuter

INDONESIA

BRIEFS

DELEGATION TO VISIT CHINA--A DPR (Indonesian parliament) delegation, consisting of 12 members led by Dr T. Iswan, deputy chairman of Commission VIII of the FKP (party coalition), according to present plans, will visit Beijing this month. The visit raised objections from DPR Chairman Daryatmo on Saturday as he closed the first session of the Legislative Institute and commented on the dispatch of the delegation to attend the Conference of Asian Parliaments on Population and Development. Although this trip is the first such visit to take place since Indonesia and China broke relations in 1967, there are no plans for the Indonesian parliamentary delegates to hold discussions with Chinese leaders. The 12 DPR members will depart the third week of this month to attend the above-mentioned conference that will be held from 26-30 October 1981. [Text] [Jakarta HARIAN UMUM AB in Indonesian 30 Sep 81 pp 1, 2] 9464

CSO: 4213/06

INTERVIEW WITH PRIME MINISTER MAHATHIR

Kuala Lumpur NEW STRAITS TIMES in English 27 Oct 81 pp 2, 3, 4, 5, 21

[Excerpts]

ON Datuk Seri Dr Mahathir's 99th day in office, he granted an interview to the New Straits Times, Berita Harian and journalists from Bernama and Utusan. Below are extracts from the two-hour interview.

Q: When you have a very active government, one hundred days is a long time. Can we ask about your first 100 days? What are your initial impressions? What do you think you have done? What do you think you have to do?

Dr M: It is not for me to assess what I've done. I know what instructions I've given but whether the instructions are carried out, whether they are effective or not, it is easier for people outside to assess. I am sitting in this room, giving directives, making decisions and all that.

This fact does not give me a perspective from outside as to what these directives have achieved; so it is very difficult to see. People keep on saying that I should have given this order, that order: What the results are, I really don't know. That's why maybe after a year you might be able to see differences, and I might be able to see the differences, but whether there are any differences or not it is difficult for me to say.

Q: But society does see something new. There is a difference. Some people are beginning to call it the 2 M

Transformation. There is a sense of direction towards a clean society, towards an efficient society and towards a disciplined society. Some people have called it C, D & E formula; don't you yourself see that, don't you think it's fair for people to say that it is the beginning of a transformation?

Dr M: Yes, I would hope so but whether it is true or not is something else. I would like to see what you say; that is what I would like to see happen in this country. But have they been able to do it? It's fairly easy to say. But is it any better? I don't know.

Q: So far, what is the greatest challenge you have faced as Prime Minister?

Dr M: The greatest challenge has been to motivate all the people — not just the government officers but all the people of this country — to be aware of their responsibilities, their roles, in national development. This must not be merely material development. There

must also be a spiritual achievement on the part of every individual, for, as the English saying goes, "Man cannot live by bread alone."

We must have a sense of accomplishment as a nation, we must be able to stand alongside other nations as an equal, so that we do not feel we are looked down upon. For me this is important. When I go somewhere and say I am from Malaysia, I don't want people to say, "Ah, the lazy Malays" or something like that, as they did in the past. I don't want this. Since childhood I was brought up in that atmosphere. I find this most intolerable. "Lazy, indolent Malays." Not just Malays, but Malaysians. To some extent the image of the Malays has rubbed off on the other races living in this country. I want people to respect Malaysia.

Q: So far, haven't we been accorded respect in the international community?

Dr M: Compared with the past, of course, now many people respect us. But we have yet to reach the status of the advanced countries, which are still patronising towards us. There is still a lot to do.

MALAYSIA'S FUTURE

Q: What about the future? What is your dream for Malaysia?

M: I wish to see a progressive Malaysian nation with its cultural and spiritual values intact. We must preserve our good values in attaining an equal footing with the advanced nations. That is my dream.

Q: Do you have a dream of this country becoming an industrialised country?

M: Well, it is not a dream. It is something that I hope to work towards. Whether it can be achieved when I am still around or while I am still the Prime Minister, that is irrelevant. Perhaps not while I am still living or while I am still the Prime Minister. But the process must be started. The process of accelerated development must start now.

Q: What do you hope your Prime Ministership would have achieved when you finally decide to do something else. What do you think is your greatest challenge and what do you think will be your greatest achievement?

M: To me the most important thing is to try to work out how to motivate the people in this coun-

try. And if there is anything I would like to see before I retire it is change in the attitude of the people which will make them much more self-reliant and much more productive and much more capable of protecting their own rights in the nation. I can't be very pompous about these things. I have very limited objectives.

Q: You have asked the people to give you one year to show results. How do you expect them to judge your performance. In which manner?

M: You're asking very difficult questions. You are now asking me about how people would feel about me. I really don't know. I think the best thing is when we have an election, if I am thrown out it means that I haven't achieved. If I'm still retained and I get the support of the people, which can be shown in many ways, I think that is an expression of the people's recognition of the correctness of the policy that I have honoured. I don't want to stay any longer than I am welcome. If I feel that I am not wanted, I have no problem at all in going back to my private practice.

MALAYSIA'S ECONOMY AND NEP

Q: How concerned are you with the present recession and its effect on us? The fact that we are expecting a deficit balance of payment?

M: You must remember that we started off in a much better position than a lot of other people. What is happening to us, although comparatively bad, compared to previous performance would be considered as comparatively good in relation to other people's performance. What is happening to us now would be welcomed by other countries. We are not really performing badly, only relative to previous records. Where before we had huge surpluses, now we are going to have maybe a small deficit. Maybe not even that, because sometimes

the way these people do the accounting, I don't know, to me there may not be a deficit at all. But anyway, it all depends on the Minister of Finance. If he performs badly in the context of Malaysia we will be concerned, but not unduly upset, not depressed by it, because we know that what is bad in Malaysia is considered good by a lot of people. Even our inflation rate which this year is supposed to be the highest, if you compare to some countries this is not inflation. People who are used to 60 percent inflation, even 20 percent, 14 percent inflation, they say 10 percent is reasonable, is very good. But we are not used to that, so there is a tendency in Malaysia for people to be unduly upset about small

things. Because of that, I am taking this more or less in my stride. I feel that we can sustain a sound economy, sound relative to the rest of the world, not sound relative to the previous performance. And I think the people as a whole would not be bearing such a big burden. What is needed to overcome all this is nothing more nor less than a greater urge to produce more. This is what I've tried to stress, that all we need to do is to be more productive and we can overcome our problems.

Q: To be more productive, there have to be some incentives...

M: People should learn to understand that incentives should not be the basis of work. Rather, they should think in terms of rewards. You

perform, and you get something. You don't expect to get something in order to perform. Any country that depends upon incentives in order to perform will eventually fail. You do well, I am quite sure we will pay you well. In fact, wages in this country have increased, not because of incentives, but because we are performing well. Therefore we get more. That's all there is to it.

Q: How about defence?

M: You must remember that we have attended to this. We have, in fact, reduced defence expenditure quite considerably in terms of what was originally planned, and I think we have reduced it as much as we can without damaging our capacity. We

feel that we can still sustain the defence expenditure at least in 1982.

Defence

Q: The effect of the world recession on Malaysia shows because we are an open economy. But our monetary authorities don't seem to take it into account. The policies they take are as if we are a closed textbook-type of economy.

M: In the first place I find that there is no such thing as textbook-type economy, because there are so many textbooks and all of them differ. You can have Keynesian theory; you can have somebody who will tear to shreds Keynesian theory, so you might as well forget about what they write. The fact is, the proof of the pudding is in the eating. We haven't done badly at all, despite the fact that we followed a rather conservative monetary policy. The fact that we look inwards rather than outwards. At present for example, we find the world is going through a period where interest rates are very high, and that has had some effects, which are good and bad, depending on how you see it. But we maintain a very low in-

terest rate because we want to help the people within the country. Now if we raise the interest rate, I think money will flow into this country and people will keep money in the banks, trying to earn interest. But then people will not be able to borrow money because of the high interest rate. We may bring some of the smaller operators to a standstill. So we have to look at our internal problems as well and therefore we have tried to insulate our economy to a certain extent. But of course we cannot completely because this is an open economy. But what we have done by way of balancing on a tight rope so far has proven successful because we can do these things without being too badly damaged.

Q: The fact that your ideas are incorporated in the New Economic Policy shows that you are also partly an economist. The New Economic Policy has been implemented for the past ten years. What are your ideas about the achievement so far, about our position, about our economic development?

M: Well, the New Economic Policy is not merely an economic policy, it is also a political policy. If it is purely economic, we would go for growth all the way. But you know that if we go for growth all the way without equitable distribution, which is political, we will have political instability. So within the context of political stability the growth under the New Economic Policy is very good. Considering this constraint. If we were like Singapore, we go for mere economy, forget about rural poverty, forget about Malays and Chinese not being equal in economic development, I'm quite sure the growth in terms of the economy will be tremendous, but there will be tremendous political instability and everybody will come out and tear to shreds all these things. This is what I told the Far Eastern Economic Review: The Shah of Iran thought that the economy is the most important thing, so he tried to build a powerful Iran, build factories, everything, and he thought that people would be happy but people were not happy. They chucked him out of the country. Economic growth is not as impor-

tant as political stability. But what you should try to do is to achieve maximum economic growth within the context of political stability. That is what we are trying to do in this country, and if you take that as the objective, we have done very well. But if you talk of only economic growth, of course people will say we didn't do very well. But you compare Malaysia now with Malaysia under the British. There is no comparison. There was nothing under the British. Look at KL now, four fifths of KL was built after independence. How long have we been independent? Twenty-four years. How long were the British here? More than 100 years. So we have done quite well.

Q: What are your plans for the next 10 years if we reach the target of 1990?

M: We will have to continue with the present policies, with the present activities, we will have to stand up to various economic activities, and to redistribute well. There are a lot of things to do, but most of all we want people to understand what it is that we are doing, because a lot of complaints against the New Economic Policy are due to lack of understanding.

CORRUPTION

Q: What are your opinions on corruption — its extent and causes? How does your Government intend to tackle this problem?

M: Corruption can be divided into two stages. One is under the table, and the other is above the

table. When it is under the table, it implies that society itself doesn't accept corruption, regards it as a criminal act or at least as "perbuatan yang hina," an act that is degrading. When it is in that stage, you can reverse the process.

But once corruption

gets above the table — when it is done openly as a matter of course, when everybody is involved, is corrupt, right from the top to the bottom — then you cannot reverse the process, because it is nothing more than earned income.

In Malaysia it hasn't come to the above-the-

table stage. So we can still reverse the process. The question is whether we have gone very far in the under-the-table stage or not.

I don't think we are that bad really. Again this is comparatively speaking. There is nothing absolute about anything in my view. Every-

thing is relative. And in terms of relative corruption, I think we are not that bad. It can be reversed; but in order to reverse it, we have to have a corps of people who are dedicated to erasing corruption, and obviously the corps of people must themselves be incorruptible.

Now, having been very lax for some time, to establish the corps is going to be very difficult. That is one problem.

The other thing is that in the past, corruption was tackled by making bureaucratic processes more difficult. Supposedly, in this way, corruption could be avoided by vetting everything three or four times, making decision so difficult that you don't make the decision. All we were doing was to slow down the process of decision-making; but in the final analysis you find that corruption is still there.

We cannot completely avoid corruption, but we will focus on the person who is making the decision to see whether he is corrupt or not. In order to do that, naturally we need to have a fool-proof anti-corruption department. We are toying with the idea of changing the NBI or BSN back to

an Anti-Corruption Agency (Badan Pencegah Rasuah) because quite a lot of the time of the BSN has been taken up investigating things which are not related to corruption, like the price of goods, the quality of goods. Although there is some fraud going on, that is not the duty of these people. They have enough on their hands without going into such things.

I would like to focus on corruption. Once we know that officers have declared their assets, then we'll be able to compute their wealth at any given time.

As you know one of the ways the Income Tax Department gets its victims perhaps not the right word to use -- is to compute the wealth of a person if it suspects he is not paying his income tax on his wealth or earnings.

We have now instructed the Income Tax Department to instruct the BSN on how to do the wealth computation. So once we've got all these forms gathered, at any time at all we can zero in on a person suspected of being corrupt, or even on a random basis to check on his wealth by means of wealth computation.

If we find that some person cannot explain why he has more wealth than he should have, some action will have to be taken against him. That's the only way.

By doing that, we now free the officer to make decisions, because he knows that if he cheats, somebody is going to find him out. So decisions can be made earlier without wasting time or losing money.

In the past, decisions were made late. We were trying to save money, but because decisions were made so slowly, the prices of things went up by much more than what it would have cost the Government if corruption had taken place. So we are not saving anything. At the same time we are losing so many things -- we are losing jobs, we are losing supplies, and all merely because we are trying to avoid corruption in a very inactive way.

Q: If there is no giver there will be no receiver. So how would you view the other end of this case?

M: Well, it's true that the man who gives is just as bad as the man who receives. But sometimes we need the man who gives in order to find out

the man who receives.

So, where the man who gives cooperates, he can get away. If the man who gives is prepared to turn King's evidence or, as they say, Agong's evidence, we can take a lenient view.

Q: Some people say that many governments in the world start off on the right foot and are very committed against corruption. The problem is, how do you sustain it in the face of difficulties and in the face of opposition both internal to a particular government and external to it. What is your response to that?

M: Well, this is a very big problem, admittedly. There will be forces which would not like to see corruption stamped out. But we, as I said just now, are not at that extreme stage where everything is involved, where you touch one person you are going to involve a lot of people.

I think we can still do it. But I will admit that I'll not be able to stamp out corruption. But I'll be able to limit it to a certain extent. I'll put the fear of God in these people who are corrupt -- they will not live happily ever after. Because they will know that always there will be this sword hanging over their heads.

PAS, DAP AND BARISAN

Q: Can we switch to politics at home. There is talk now that there are negotiations about the DAP and Pas joining the Barisan Nasional, and that these negotiations have been on for some time.

M: I have not heard of negotiations between Pas, the DAP and the Barisan Nasional. We have no plans to cooperate with the DAP. But I have heard, from the newspapers, of a third party wanting co-opera-

tion between Pas and the Barisan Nasional -- that is all. What I know I read from the newspapers.

Q: Are you in favour of the idea of Pas coming back to the Barisan Nasional, if it can be arranged?

M: As I have explained before, the Barisan Nasional is an organisation aimed at pooling as much as possible the resources and political interests in our nation. Its struggle has definite principles. Whoever subscribes to those principles can join the BN.

In the past we had the Alliance, a bit exclusive, confined to three parties, and we regarded that this party alone represented the various communities. Then we formed the Grand Alliance involving the parties in Sabah and Sarawak. Later we set up the Barisan Nasional catering for other parties as well; if not, they would not have had a chance to participate in the Government. Because some of the parties are too small to form the Government, they can only

participate in the Government. We do not like anybody to be disappointed or left

With the Barisan Nasional, whatever / is prepared to accept the BN principles, which are quite flexible so that they are acceptable to all, it can join the BN. But there is one condition: the participation must get the unanimous approval of all members of the BN.

Q: Do you like to see this happen?

M: I like to avoid division, and I like to see,

if possible, that we concentrate our energy on work for the benefit of all.

Q: This is the basis of the talk that the DAP, too, is included in the negotiations.

M: I didn't hear about the DAP, but if we hear their talk, there is nothing in line with the BN. It is a racial party. How can it be suitable for the BN?

Q: But the PPP before was also a racial party.

M: That may be true. But, if we take a look, the party's leaders were Ceylonese, its followers were Chinese, and lately it has changed pattern. If the DAP, too, changed pattern, if Lim Kit Siang welcomes the New Economic Policy, we can still accept it. But at the mo-

ment I don't see it.

Q: As there are no serious efforts to bring Pas into the BN, some are of the view that Pas will be outside the BN during the coming elections. In this context, there is talk of Pas not focussing its attention on Kelantan and Kedah, but that it will try to capture Trengganu. What are Umno's preparations like?

M: Umno is ready to defend its position in Trengganu where Umno obtained a 100 per cent victory. We are confident that the people of Trengganu, who know Umno's policy and that of the opposition, all support Umno. Maybe there are small groups attracted by the propaganda of Pas

but I feel that the majority believe in the struggle of Umno.

Q: With the erosion of the power of the old Alliance, you now have perhaps three component parties vying for Chinese votes — MCA, Gerakan and to a limited extent the PPP. They tend to play racial politics to maintain their own stand in the Barisan, the main aim of which is to create solidarity. In fact we are encouraging this kind of...

M: But if we consider the majority, the silent majority — which is the deciding factor actually — these things have no

effect on them. This is only evident during the general elections. Their choice is not based on racial extremism. It is based on stability. So far they have chosen

"middle of the road" politics. Comparatively speaking the MCA can be called "middle of the road" in relation to some other Chinese parties, and so can Umno when compared to Pas, and MIC when compared to some Indian chauvinists in Malaysia. These (moderates) are still the majority. Extremism exists in all communities. We cannot avoid it in any country. When it's not extremism based on race, it's extremism based on class or ideology.

GENERAL ELECTIONS

Q: How about the next elections? Is it going to be in 1982 or 1983? What are the considerations that might determine it one way or the other?

M: It can be 1982 or 1983. That's certain. It cannot be 1981 so that's also certain. Now in determining the date, you cannot rely on one single factor. We cannot say economic performance will determine it.

There will be a host of factors that have to be taken into consideration before you can determine the date. If for some reason or other you find that the Opposition is in a weak position, you may do it earlier.

On the other hand, although the economic performance may be good, the rains come and people cannot come out to vote. You have to take that into consideration.

In Sabah, Sarawak, Kelantan and Trengganu, even the rains have an effect on the per-

formance. So there are all those factors, many, many factors — the unity, the understanding within the party itself...

As you know, at one time we had Confrontation, and it was a good reason for holding elections.

All these factors come in. There was at one time, I think, a feeling that irrespective of when elections were held, we were going to win, nothing was going to happen.

I think that was the reason why the elections were held in 1969, right to the very last day to the term of office of that particular Parliament.

And then it was found that we were not really working on the factors, we were just taking things for granted, that we would come in anyhow.

That's the very sort of thing that we must not do. We must always take into consideration all the factors.

THE COMMONWEALTH

Q: IN the past 100 days there seems to be a misunderstanding of our perception of international relations, perhaps because of your decision not to attend the Commonwealth Conference at Melbourne.

The decision seems to have caused a misconception of the way we conduct our relations. Can you put the record right once and for all?

M: I have given my stand, in terms of relations, in terms of priorities. Our first priority is Asian countries, relations with Asian.

Second is with the Islamic countries, third with non-aligned nations, and only fourth with the Commonwealth.

Though we have this list of four priorities, they are not equidistant. The Commonwealth may not only be fourth but may fall far behind the others, perhaps for the moment.

But if in the future it shows it really functions as a Commonwealth, i.e. a great wealth divided equitably, we may revise our priorities.

But so far the policies of some members of the

Commonwealth do not really benefit Malaysia in particular and developing countries in general. So we don't give priority to the Commonwealth.

I have stressed this several times, but if they still do not understand, I just can't explain further. They know the reason. Also, I make a difference between the Commonwealth and a Commonwealth conference.

The Commonwealth is important, but its conference may not be. For example, in Asean, sometimes we hold a Summit Meeting of Heads of Government, sometimes we don't. This doesn't mean Asean is not important.

What is not important at certain times is a Meeting of Heads of Government, and so we don't hold one. But Asean remains. Thus too with the Commonwealth. Its conference may not be important, but the Commonwealth is relatively important, that is, up to the judgment of the moment.

Q: Many people say that what you have said is fair and a lot of people would agree, but some have said international diplomacy is the art of

saying no when you mean yes, and yes when you mean no, and maybe when you mean to say yes and no at the same time.

When we have a Prime Minister who speaks straight from the shoulder and gives his frank views, we have a sort of shell-shock situation. What is your view?

M: Of course, in the first place I am a politician and not a diplomat; so while a diplomat may not say no, never say no. I, being a politician, am entitled to say no when I feel I should.

I find in my experience, my little experience in the international field, that saying nice things does not seem to achieve much.

You see, in an atmosphere where everybody is saying nice things, only the man who says nasty things gets noticed. It is something like the saying, "In the land of the blind, the one-eyed man is the King."

I am used to saying nasty things to everybody — to the Malays, to the Chinese, to the Indians in my own country — and I see no reason why I should stop within the country.

MALAYSIA-BRITAIN RELATIONS

Q: DO YOU think your views about Malaysian-British relations may have been misunderstood internally or externally?

M: I don't know why they should be misunderstood. I was very, very clear about our attitudes towards Britain. Very, very clear. We are not cutting off trade relations with them, we are not carrying out a general boycott of British goods. All we are saying is that the Government will not buy British if we can help it. But we will still buy if we cannot help it.

Q: Some foreign interests have expanded this event to say that what the new Government is doing is shaking the confidence of investors as a whole, not only from Britain but from other countries.

M: Yes, these foreign interests are largely British interests. That is what they have been saying all the time. Please remember that these things, these opinions, were first brought out during the Sime Darby problem, which was a long time before this idea of the "Dawn Raid" took place. Then

we were buying openly in the market. We were conforming to the rules prevailing then. In fact, Tan Siew Sin made a clear statement that he wanted to buy Guthrie, for example. That was a long time ago and already we are being accused of back-door nationalisation. Even the act of simply buying what is being sold in the market. You go to a shop, you buy something sold there, it's called nationalisation. Makes no sense. You mean to say we cannot buy goods? Then don't sell, don't sell to anybody. But if you say this is for everybody, anybody who has the

money can buy, willing buyer willing seller. We buy, we didn't force anybody, why is it called nationalisation? Only the British have been saying this of us. We haven't done anything to anybody else.

Q: And we are as committed as ever to foreign investments ...

M: Yes, even if the British want to invest here, they are still welcome. And British companies which have invested here and are producing things here are not subject to the ruling that they cannot qualify for Government supplies. As you know, one of the

companies producing concrete cement panning, Shan, they can sell to the Government. We buy because they are producing in this country, they are Malaysian products.

Q: About the directive not to give priority to the British. In what way can we carry it out most effectively, considering they have such large interests here?

M: I don't see that they have such large interests in our economy. Actually it depends on us, whether we want to buy British goods or not. They do have interests here, but we have alternative sources for whatever we wish to buy — motorcars, military equipment, etc. Also we have said that if there is no alternative source, we will still buy from the British, so there's no problem. The balance of payment now is in favour of Britain, so it's better for us to buy less from them, to ensure a balance of payment in our favour. We no longer get special treatment now that Britain has joined the EEC. So there is no reason why we should give them special treatment. The British claim they are the third largest investors in Malaysia, but their's is old investment, not the investments of others in the past few years. British investment is minute. Compared with those of America or Japan or Singapore, it is very little. Of course if you count their total investment from the time of independence till now, it's quite substantial, because they invested a lot in the past. Today, the British would invest a couple of million ringgit in a factory, and still I go to open the factory. The Japanese invest 60 million ringgit, and I haven't yet gone to open their factory.

Q: Will the present decision be temporary or permanent, and with what type of response will you be fully happy before you reverse the decision?

M: Well, as far as I can see, it's going to be there for a long, long time, because I don't see any accommodation on the part of the British. So it will stay that way, unless of course there is some very strong mitigating factor created by them.

Q: Lately there has been a proposal to raise further the tuition fees for foreign students in Britain. What will be your next move?

M: Nothing.

Q: Are you not worried or concerned that the directive regarding British firms will affect the sentiments of the other foreign investors? Perhaps they will become slightly hesitant now; they may want to see our next move. So what sort of assurance do you have for the people?

M: In 1978 when I became Minister of Trade and Industry, there was practically no investment in this country because of the so-called ICA and because of the Petroleum Development Act. But we took action to explain what we were doing without changing our activities, without changing our policy. We explained what the policy was all about. And as you know, after the explanation, we had more investment than we could accept, so much so we could pick and choose. I have no fear, no worry, that we can explain that what we have done in buying shares in British companies does not amount to nationalisation. The trouble with ex-colonial powers is that when you nationalise, they say, "We wouldn't mind so long as you pay compensation." But when we take the companies and compensate, they say, "We wouldn't mind if only you will not take our companies." When we buy the shares in the market, they say, "We wouldn't mind so long as the price is right," but when we pay the higher price, they still feel unhappy about it. Nothing you do is right. Other countries nationalise, took it by force, didn't pay compensation. "If

they paid compensation we wouldn't mind, it's their right to nationalise but they should pay compensation." But when we pay compensation they say "This is nationalisation, they shouldn't nationalise. If they bought shares in the market it would be all right, but this is nationalisation, though with compensa-

tion." When we buy shares in the market: "You shouldn't buy even our shares in the market." In short, their company which has squeezed out the wealth of our nation for 150 years must remain for ever, we have no rights at all. We can't even buy.

We are not forcing it from them; we are paying. For 600 pence worth of shares we are paying over 900. And all the shareholders were happy. The thing is, it's not the shareholders, although the law is supposed to defend the shareholders, the minority shareholders. What these people want is to protect the rights and the privileges of the management. The management wants to stay there with all the perks that they get, the huge income that they can get, they want it for themselves, they don't care two hoots about the minority shareholders who are not getting much money anyway. Like Dunlop, for example, they are not paying any dividend because they are running at a loss. But the management will like to stay on as managers of those firms. Therefore they have urged that there should be no takeover, because a takeover would mean management would lose. The minority shareholders can still not sell if they don't want to sell; if they are not willing sellers, they don't sell. But if 51% of control is gained by any one group, the people who are going to disappear will be the manager. So this law is to protect managers who may not have a single cent share in the com-

pany. And this I have explained to the British, the *Financial Times*.

Q: So it appears now that with us having won control of Guthrie, we would see the management going?

M: Well, not all, not all, certainly. Those who are good for the company we will retain, but those who we think are doing things that are detrimental to the company and to us, surely we can't retain. For example, this act of deliberately disinvesting in Malaysia, going elsewhere. People involved in such things certainly cannot be retained. But the rest of the management will be retained.

Q: Would you like the domicile of a company, in particular Guthrie, to return to Malaysia as soon as possible?

M: Well, once we gain control of the company, we would like to bring them back home. That does not mean that we will completely disinvest in other countries. We will continue to be active in other countries, but our priority would of course be to use the resources of this company to stimulate growth in Malaysia itself, and that can best be done by having the company operating from here.

Q: The going abroad to take back what we should rightly own, the overseas assets, will that sort of thing continue?

M: For as long as there are assets that we can buy we will buy. But there will come a time when all our foreign-owned assets are already brought back and we still have some money. We can buy any shares; we can even buy foreign companies and bring them here, if we find there is no law against it. If they are up for sale we will buy. After all, the Arabs are buying, lots of other people are buying. At one time the Japanese were buying British companies and the American companies. Now why can't the Malaysians buy? We are like anybody else.

BRITISH SAID NOT TO UNDERSTAND MALAYSIAN VIEWPOINT

Kuala Lumpur NEW STRAITS TIMES in English 15 Oct 81 pp 1, 5

[Article by Wan A. Hulaimi]

[Excerpts]

LONDON, Wed. — Malaysia, hitherto the most amenable of former British colonies, has sent shockwaves among British Government officials by its recent attitude, seen here as an exhortation to buy British last.

Those who are perceptive enough to understand the cause of this recent furore point out that Britain, shackled by its imperialistic past, knows very well how to react to dissenters but just cannot come down to treat them as equals.

The background to the deterioration of relationship between Britain and Malaysia has been guessed at and possible causes listed out.

Some say that Malaysia was irked by the stock exchange changing its regulations soon after the Malaysians acquired

Guthrie shares in a spectacular dawn raid.

Others attribute it to Malaysian retaliation to Britain's increasing its fees for foreign students, causing the most suffering to Malaysia with the largest number of foreign students here.

Others still recall the continuing tussle experienced by the Malaysian Airline System regarding flight arrangement problems to Britain.

If answers are sought they may be found in some, if not all of these.

Dissatisfaction has grown in certain Malaysian quarters over British attitudes towards Malaysia. Issues other

than trade have been raised before but this being essentially a nation of shopkeepers, it was a threat to its trading relationship with Malaysia that finally sent ripples in the ostensible calm backwaters of the British policy-making body.

Last year, Britain exported £223.5 million worth of goods to Malaysia, putting it easily among the major buyers of British products in South-East Asia.

Also in Malaysia are three-quarters of the total British investment in South-East Asia.

The visit of the British Secretary of State for Defence, Mr John Nott, to Malaysia earlier this month showed British keenness to have a share in Malaysia's £2,000 million defence budget to keep the flagging British economy greased.

Whilst the British Press on the whole are eager to report and explain the causes of this outbreak of resentment on the Malaysian party, very few have understood the thrust of Malaysia's argument.

The *Financial Times*, in its patronisingly worded editorial of Oct. 1, said: "Every successful developing economy has something to be grateful for. But Dr Mahathir

should not overplay his hand...The need for foreign capital and technology remains, high. Dr Mahathir stands to lose much if the twin nationalisms — Malaysia in general and bumiputra in particular — ruin the investment climate in the country."

The only light produced in the heat of the argument came from a letter published in the Oct. 5 issue of the *Financial Times* from two London stockbrokers, Mr P.E.Q. Long and Mr. H.M. Wedgwood, of Laurence, Prust and Co.

Replying to the *Financial Times* editorial they wrote: "Malaysia has a special relationship with Britain. This has its origins in history. In so far as it is possible to make any general statements of the mood of the nation, one might say that Malaysians would wish for the special relationship to continue but only as one between equals."

"Malaysians, like citizens of many other countries formerly administered by the British, have a wholly understandable desire to see a higher percentage of their country's assets owned by Malaysians."

"It is in Britain's true best interest to actively assist, not to stand in the

way of this aspiration.

"Malaysians, almost alone, are prepared to pay a reasonable price, sometimes even a generous one, for the repatriation of the ownership of Malaysian-based assets."

"Malaysia's aspirations and actions have been consistently misunderstood by sections of the British business community and even by the Government."

"Unfortunately, it is the views of these sections that have received the greater publicity and in Malaysian eyes, have seemed to stand for British attitudes in general. It is time to redress the balance."

Not all Britishers perhaps see the situation in quite that light.

Most commentators see Dr Mahathir as an enigma whose recent actions threw into relief Britain's relationship with Malaysia with such brutality.

A few though have privately told me that this perhaps shows what was meant when it was argued that Britain's inward looking policy of stopping "aid" to foreign students by increasing its fees for higher education might sever feelings of attachment for Britain and anything British and make Britain the loser in the long run.

PRIME MINISTER TERMS PRESS FREEDOM WESTERN MYTH

Kuala Lumpur BUSINESS TIMES in English 13 Oct 81 p 20

[Text]

FREEDOM of the Press is a myth invented by the so-called liberal West to serve its own interests, Prime Minister Datuk Seri Dr Mahathir Mohamad said last night.

He said this was because the West stood to gain most through their worldwide control of the media.

Speaking at the dinner hosted in his honour by the National Press Club in Kuala Lumpur last night, Dr Mahathir urged the Malaysian Press not to be lured by this kind of freedom, or give in to indirect "intellectual hegemony" of the Western media.

He said an informed public was needed for democracy to work effectively, and it was therefore an important function of the Press to inform the public on issues so as to enable its members to make an educated choice.

Dr Mahathir said while the Press has the right to expose any shortcomings, whether in the government or private sector, it also has a re-

sponsibility to present a balanced picture.

He reminded the Press that the right to expose any shortcomings should be exercised with an equal responsibility to ensure accuracy.

Failure to maintain balanced reporting would result in creating an image of a country not being able to do any thing right, he warned.

Dr Mahathir pointed out that it would be inimical to the efforts of the government to foster racial harmony if the Press in its overzealousness were to report without giving due consideration to the sensitivities of the various races.

He also pointed out that the media exercised their own censorship, not in accordance with national needs but according to the narrow views of the people who controlled the papers.

He added that the narrow interests of the Press as an institution would fade into insignificance when considered in the context of the larger interest of the country and people.

NO DIFFICULTY ENCOUNTERED IN UNDERWRITING \$650 MILLION LOAN

Kuala Lumpur BUSINESS TIMES in English 15 Oct 81 p 1

[Text]

SEVENTEEN banks from all over the world have agreed to participate in the US\$650 million syndicated loan for the Malaysian government. This underwriting of the loan has been completed within one week of Bank Bumiputra Malaysia Bhd being given the mandate for it.

Each of the banks will underwrite US\$36 million, while Bank Bumiputra, the coordinating bank, will underwrite US\$38 million.

Bank Bumiputra said yesterday that the response was encouraging, and "some banks which expressed unsolicited interest in joining the group could not be accommodated."

There had been speculation in Hong Kong that there would be difficulty in getting banks to participate in the loan due to the exceptionally low spread.

The fact that Bank Bumiputra had been able to assemble a group of underwriters in just one week, highlights the confidence of the international financial community in the Malaysian economy.

The banks participating in the 10-year syndicated loan include two from Malaysia. Apart from Bank Bumiputra, Malayan Banking Bhd, the country's number two bank, is also participating.

Six of the banks from the European Economic Community, namely Banque Nationale de Paris; Barclays Bank International Ltd; Lloyds Bank International Ltd, Midland Bank Ltd, National Westminster Bank Ltd and Societe Generale Bank Ltd.

The Japanese banks participating in the loan are: Bank of Tokyo Ltd, Fuji Bank Ltd, The International Bank of Japan, Mitsui Bank and Mitsubishi Bank.

Four banks from the United States and Canada are BT Asia Ltd, Chase Manhattan Asia Ltd, Manufacturers Hanover Ltd and Toronto Dominion (South-East Asia) Ltd.

The sole banks from the Gulf participating in the single largest loan ever sought by the Malaysian government is Gulf International Bank B.S.C.

Analysts in Hong Kong had noted that this was an unusually large number of lead managers for a loan, and bankers said that it reflected Malaysia's desire to ensure that the large amount would be provided by a broad group of banks.

The loan for development purposes will have a maturity period of 10 years with a grace period of five years. It will be divided into a conventional and tax-spared tranche.

The conventional tranche will amount to US\$500 million. The interest payable on this amount is 0.375 per cent over the London interbank offered rate (Libor).

The tax-spared tranche of US\$150 million will command a margin of 0.03125 per cent above Libor.

The commitment fee, a fee the borrower pays in lieu of interest on portions of the loan not immediately drawn, is to be 0.375 per cent. Meanwhile the management fee, a flat fee the borrower pays banks for arranging the loan, is about 0.4374 per cent.

COMMUNISTS REPORTED CHANGING TACTICS WITH FAILURE OF ARMED STRUGGLE

Kuala Lumpur NEW STRAITS TIMES in English 11 Oct 81 p 7

[Excerpt]

KUALA LUMPUR, Sat. — Police today warned of possible attempts by the Communist Party of Malaya to infiltrate organisations like trade unions and political parties with the aim of controlling these organisations.

CID Director, Datuk Abdul Rahman Ismail said the Communists have changed their tactics following the failure of their armed struggle.

The CPM has now directed its cadres to pay more attention to subversive activities and the united front in a bid to win the support of the people.

The CPM has also directed its underground organisations which had been crippled, to be reactivated.

Speaking at a passing out parade of police constables at the Police Training Centre here this morning, he said the Communists had a programme to get the support of the Malays so that the CPM could be looked upon as a popular organisation with the support of the various races.

In their propaganda they say that they were fighting for the welfare of workers, fishermen, farmers and the poor.

"They also claim that there are many similarities between Islam and Communism," he said.

Datuk Rahman said that just because there were no attacks by the Communists on security forces it did not mean that they had given up their armed struggle.

GOVERNMENT SHOPPING FOR TANKS, PERSONNEL CARRIERS, AIRCRAFT

Kuala Lumpur NEW STRAITS TIMES in English 12 Oct 81 p 6

[Text]

KUALA LUMPUR, Sun. — The government has introduced new arrangements into the tendering system for arms purchases to ensure that there is no foul play.

This system incorporates various stages of checks and counter-checks to guarantee that purchases of arms are above board, said the Defence Ministry's secretary-general, Tan Sri Mohamed Yusof bin Abdul Rahman, today.

He said decisions on the buying of arms at the level of multi-million dollar deals such as the purchase of fighter aircraft and tanks are made by the highest levels in the government.

"Charges of foul-play that have been thrown around are baseless as no certain group of people make the decisions, the deals have to go through four or five stages before a decision is made," he added.

Tan Sri Yusof said the common belief that the Defence Ministry was responsible for the arms purchases was untrue.

"We are only the professionals, we evaluate the arms, why, we don't even make any recommendations," he said.

On the intended purchase of medium-weight battle tanks and armoured personnel carriers from West Germany, Tan Sri Yusof said the government had indicated that a decision would be given by the end of the year.

He admitted that the plans were being held up due to West Germany's restrictive arms exports policy.

However, in the meantime, the Ministry was shopping around elsewhere for other tanks and carriers.

"We cannot allow a delay on the part of the West Germans to postpone our plans in the modernisation of the army."

"If the decision is negative, then we will be in a position to order the intended arms from elsewhere immediately instead of having to wait longer," he added.

It has been reported that Malaysia has made inquiries at Thyssen-Henschel for the purchase of 103 Marder support tanks and Condor reconnaissance vehicles.

Ban on sales

On the purchase of fighter aircraft, Tan Sri Yusof said the Vought A-1D Corsair tactical jet fighters and the McDon-

nel Douglas A-1 Skyhawk were the main aircraft being considered.

"The fact-finding team in the United States is now evaluating these two aircraft," he said.

He said the government favoured the Corsair when it went shopping for jet fighters in 1978.

"But the Skyhawk was chosen when the US government under the Carter Administration rejected our plans to buy the Corsair as there was a ban on foreign military sales of the Vought Corsair single-seat ground attack planes," he said.

The ban was lifted by the Reagan Administration about two months ago. So the government was now again considering buying the aircraft, he added.

Tan Sri Yusof said Malaysia had already bought 88 cocoons (airframes of the Skyhawk) but this would not result in a loss if it went ahead to buy the Corsair.

He said the cocoons could be disposed of easily.

The cocoons had been purchased earlier as Malaysia could obtain them at a very low price.

Tan Sri Yusof said a decision on the purchase of gun howitzers had still not been made.

WATAN MANAGER, REPORTER HELD UNDER INTERNAL SECURITY ACT

Detained for Questioning

Kuala Lumpur NEW STRAITS TIMES in English 18 Oct 81 p 1

[Excerpts]

KUALA LUMPUR, Sat. — Datuk Abdul Aziz Ahmad, the managing partner of Watan and president of the Malaysian Book Publishers Association was detained by police this morning under the Internal Security Act 1960.

A Home Affairs Ministry statement said Datuk Aziz, 62, was detained for questioning in connection with police investigations into the publication of communist propaganda articles in several issues of Watan over the past few months.

Datuk Aziz's detention follows the arrest of Watan journalist Abdul Halim Mahmud who was held under the ISA last Monday on suspicion of allowing the paper to be used by the communists.

The Secretary-General of the Home Affairs Ministry, Datuk Rozhan Kuntom, stressed that Datuk Aziz was detained to help police in investigations of Encik Halim's activities.

"We hope to get more evidence on Encik Halim," he said.

He said Datuk Aziz was arrested under Section 73 of the ISA. Under the Section, police can detain a person for up to 60 days.

"If, in the course of investigations, Datuk Aziz is found to have committed some offences, he will be detained. If there's nothing, he will be released," said Datuk Rozhan.

This, too, applied to Encik Halim, he added. Asked if other Watan journalists were under investigation, Datuk Rozhan said he was not aware if they were.

The Home Affairs Ministry, he said, had from time to time called upon

Watan "to give advice and some sort of guidelines" about their coverage.

"They have complied in the past, except for the last few months."

From January to mid-September this year, Encik Halim was the paper's acting editor before he resigned because of "heavy responsibilities."

Datuk Rozhan said it was routine for the Ministry to keep tabs on news items in the local newspapers. "If they make a pattern detrimental to the interest of our security, then we will do something about it," he said.

"When there is a pattern, there must be somebody behind it."

Articles Eulogized Communism

Kuala Lumpur NEW STRAITS TIMES in English 14 Oct 61 pp 1, 2

[Text]

KUALA LUMPUR, Tues. — Journalist Halim Mahmud, detained under the ISA yesterday, had published in *Watan* articles provided by a foreign embassy here and the Malayan Communist Party, Deputy Home Affairs Minister Encik Abdul Rahim Thamby Chik said today.

He told reporters at Parliament House that Halim was detained since he had allowed the newspaper to publish the articles which propagated and eulogised communism.

"The articles were published over a period of six months and since the first article we have been monitoring the newspaper closely," he added.

Encik Rahim said during this period, more than 10 articles containing these materials were used by the newspaper.

"For example, the newspaper published an article headlined *Islam in the Soviet Union* which gives the impression that Islam was and is still flourishing in that coun-

try although it is a communist State."

This had created the impression that Islam was compatible with communism, he said.

"How can this be so when everyone knows that the communists do not believe in God and hence Islam is certainly not compatible with it," he said.

Encik Rahim said the Government felt that such distortions constituted a threat to national security and hence Halim was detained under the ISA.

He said the matter was still under thorough investigation. Every aspect would be looked into.

The Deputy Minister said Halim was detained under Section 73 (1) of the ISA which empowers the Government to detain a person suspected of carrying out activities which constitute a threat to national security.

"Under the section, the authorities are empowered to detain a person for not more than 60 days for interrogation purposes," he added.

Encik Rahim said the

Ministry had received a reply from *Watan* to its "show cause" letter sent to the bi-weekly earlier.

While the reply was being studied, *Watan* would be allowed to continue publication, he added.

The letter to *Watan* asking it to show cause why it should not be closed down, was sent before Halim's detention.

Meanwhile, Opposition leader Lim Kit Siang today failed in his bid to seek an adjournment for the Dewan Rakyat to discuss Halim's detention.

Mr Lim told the Speaker, Tan Sri Syed Nasir Ismail, that the matter was of "definite public importance."

However, Tan Sri Syed Nasir said: "After having given due consideration, I feel that it does not constitute a matter of public importance and hence I have to reject the motion."

PALM OIL PRODUCTION EXPECTED TO DOUBLE BY 1990

Kuala Lumpur NEW STRAITS TIMES in English 19 Oct 81 p 7

{Text}

KUALA LUMPUR, Sun. — Malaysia's palm oil industry was today described as one of the world's greatest achievements in agriculture.

The director-general of the Palm Oil Research Institute of Malaysia (Porim), Tan Sri Dr. Annuar Mahmud, said that FELDA, which produced 50 per cent of the country's palm oil, was now the biggest palm oil and oil palm group in the world.

Tan Sri Annuar said this when briefing a group of 20 news agency journalists from Asian countries at Porim headquarters here.

The journalists are attending a month-long advanced journalism course organised jointly by the Malaysian Press Institute and Bernama here.

He told the journalists that the industry owed its tremendous growth to the fact that it

was the cheapest oil to produce compared to other oils and fats.

"At any one time in Malaysia today, 25 per cent of the oil palm is still immature and production therefore is expected to be much higher," Tan Sri Annuar added.

Emphasis

He also said that the cultivation of oil palm, which from 1978 to 1980 was given more emphasis than rubber at the ratio of 60:40, was now slowing down to 50:50.

Under the Fourth Malaysia Plan, 35,000 hectares of land were being planted annually with the crop.

Tan Sri Annuar forecast that Malaysia's annual palm oil production would increase from the current 3.5 million tonnes to 3.8 million tonnes in 1985 and to six million tonnes in 1990.

He said the industry's suc-

cess in Malaysia had prompted similar ventures in other countries.

There are plans to develop a 50,000-hectare oil palm project in the Philippines involving Malaysian and Philippine interests.

Another venture covering 200,000 hectares in Indonesian Kalimantan region was being developed, while Brazil, India and China were also developing theirs.

Tan Sri Annuar disclosed that Porim would hold a workshop on the utilisation of palm oil wastes here in December.

The workshop would co-ordinate the existing research works in this field which had shown that palm oil wastes could among other things be turned into animal feeds and fertilisers.

It would also look into more in-depth studies on the economics of utilising such wastes. — Bernama.

CSO: 4220/537

INFORMATION MINISTER CRITICAL OF WESTERN PRESS

Kuala Lumpur BUSINESS TIMES in English 16 Oct 81 p 6

[Article by Manolo 3. Lara]

[Excerpts]

FILIPINO journalist-turned legislator Jose Tumbokon has the proverbial axe to grind against the Western media, particularly the American Press on its coverage of the Third World.

Mr Tumbokon thus joins the long list of local officials, including President Marcos, and Datuk Seri Dr Mahathir Mohamad, who have complained against the "slanted and biased" reporting by the Western Press. He is the Minister of State for Public Information, aside from being the spokesman of the Batasang Pambansa (National Assembly).

But unlike the other officials, Mr Tumbokon tackles the issue from a somewhat different perspective. He assails the American concept of Press freedom and what constitutes news.

Mincing no words, he tells *Depthnews* in an interview: "The trouble with some American newspapers and magazines is that they are insensitive to the reactions of their human and intellectual targets. The more ranting, wailing, criticism and similar feedbacks they receive, the more they intensify their journalistic notoriety ostensibly in the name of Press freedom."

"As if Press freedom partakes of the opportunity to beguile, delude or distort, they are not content with their penchant for cataloguing, dissecting and raking over the coals what to them are defects, deficiencies and shortcomings of other peoples."

"That is the American Press for you," he adds. "But a Press which preaches strict adherence to fairness, accuracy and balanced reporting in the exercise of Press freedom should practice the same virtues in order to be credible and reliable."

In Mr Tumbokon's reckoning, the US Press has not been fair and accurate in its coverage of the Third World. The Philippines is a case in point, he says.

For instance, after the Sept. 21, 1972 referendum, a US news magazine reported that a Philippine constabulary (national police) trooper was posted in every precinct to ensure that the voters wrote the desired answer on the ballot.

"Readers at the other side of the globe would likely believe the story until informed that the PC did not have that many men and therefore, could not have posted a trooper in every precinct even if it assigned all the

cooks, messengers, drivers and clerks to do the job."

But the Philippines is not the lone victim of this kind of reporting. Virtually all the developing nations of the world, Mr Tumbokon says, continue to be targets of the shotgun blasts from trigger-happy foreign media men who take advantage of their victims' helplessness under present circumstances.

"Third World victims of the Western Press," he continues, "had fortunately resisted efforts to continuously make them the doormat of haughty, irresponsible and mercenary foreign correspondents."

Indonesia, for one, immediately banned an American newsweekly after publishing a cover story on the late President Sukarno based on "ostensibly manufactured facts and circumstances." Mr Tumbokon, however, cannot give the full details which led to the banning of the newsweekly from Indonesia.

The Indonesian example, he says, was similar to the action taken by the late Philippine President Carlos Garcia who banned an American correspondent for writing a story in a newsweekly which "degraded the country, its people and the President's family."

But President Garcia, Mr Tumbokon says, had emphasised that while the correspondent was expelled, his replacement was free to enter the country.

The reported ailment of President Marcos is another glaring example of the Western media's "slanted, biased and irresponsible reporting," Mr Tumbokon alleges.

The President has maintained that he is in the best of health. Still, the American journalists continue to harp on Mr Marcos' alleged ailment, he says.

"Judging on the main fare that the foreign media dish out," Mr Tumbokon adds, "their evaluation of news is that good news is no news at all."

"But bad news is the best — the best in selling point. Thus the bulk of Western magazines, newspapers and wire services specialise on stories of violence and disaster. Regularly fed with this kind of news items, the average reader eventually gets the impression that all's well in the West and all's worst in the rest of the world," Mr Tumbokon concludes. — *Depthnews Asia*

CENTRAL BANK OBTAINS \$100 MILLION LOAN FOR RELENDING PROGRAM

Kuala Lumpur BUSINESS TIMES in English 16 Oct 81 p 1

[Text]

THE Philippine Central Bank signed a US\$100 million loan agreement today to be provided by 18 financial institutions from eight countries.

This completes the bank's consolidated foreign borrowings programme for this calendar year, said bank governor Jaime Laya.

He said the bank had now borrowed US\$350 million in 1981 under the scheme which is designed for re-lending to private companies and some government corporations.

The latest loan is to be lead managed by Bankers Trust Asia Ltd, the Chartered Bank, the Industrial Bank of Japan Ltd and the Nippon Credit Bank Ltd.

During the first three years of the scheme, the bank borrowed US\$300 million, US\$490 million and US\$490 million respectively, Mr Laya said, adding that the reduced amount this year reflected high interest rates prevailing around the world.

Bankers Trust Asia's managing director, Mr John Harris, said during the signing ceremony that "we hope that interest rates will come down which will enable the borrowers to make further use of these loans."

The eight countries involved were named by Mr Laya as the United States, Japan, Britain, West Germany, India, Singapore, Luxembourg and the Philippines.

Today's signing was the first of its kind to be held in Manila, Mr Laya said, an event which he described as a timely example of international cooperation in meeting the needs of a developing country.

He said the Philippines now had an outstanding debt to foreign institutions of around US\$16 billion, about half of which was owed by the private sector, but that it was repayable over an extended period of time.

"Never in the past has the Philippines failed to make its payments," he said, adding that the country continued to insist on as long a term of repayment as possible. Foreign borrowing is limited by law to not more than 20 per cent of foreign exchange receipts for the previous year. The rate for this year is given by the bank as 19.2 per cent.

"The balance of payments has not exactly been an extremely rosy picture," Mr Laya said.

■ Mr Laya has urged the International Monetary Fund (IMF) to enlarge the fund quotas of non-oil developing countries in view of the projected widening of their combined current account deficits resulting from their worsening trade performance.

He made the plea, citing the projected deficits in current account which, he said, would increase from US\$35 billion in 1978 to US\$100 billion in 1982.

Mr Laya said the widening deficit confirmed the IMF's judgment that worsening trade performance would result in "a reverse transfer of resources from developing to developed economies."

While calling for the resumption of trust fund-type loans — to provide concessional resources to the low-income developing countries with severe external payments difficulties — he said the enlarged quotas would also bring up "world liquidity to a level commensurate with present levels of trade and capital flows."

In a medium and longer context, Mr Laya said the IMF should create substantial amounts of SDRs to provide the system with the needed volume of international liquidity. — Reuter, AFP

NEW PRESIDENT DESCRIBED AS CONTROVERSIAL FIGURE

Kuala Lumpur BUSINESS TIMES in English 28 Oct 81 p 6

[Article by S.V. Suppiah in Singapore]

[Text] ONE of the more controversial figures in public life here has been installed as President of Singapore.

Mr C.V. Devan Nair, 58, a sometimes pugnacious labour leader and politician, was named Oct. 12 by Prime Minister Lee Kuan Yew.

There is much speculation as to how Mr Nair will fill the largely ceremonial presidency. Some expect him to alter the President's role by sheer force of personality and the fact that he is a long-time crony of Mr Lee.

The selection of Mr Nair was by no means an overwhelmingly popular choice.

"You either love Devan Nair or hate him. It is hard to be indifferent about the man," the *Straits Times* said in an editorial. The newspaper, which supports the administration, acknowledged that he has "been guilty of verbal excesses and hard-listed actions."

Some of Mr Nair's critics contend that as leader of the National Trades Union Congress, he betrayed the labour movement by making its aims second to those of Mr Lee's ruling People's Action Party.

About a quarter of the labour force of 750,000 is unionised in this island republic of 2.4 million. Some workers grumble that Mr Nair was less than forceful in pushing their grievances with the government.

Mr Nair shaped Singapore's workers into a relatively tame but economically effective force that helped the country develop one of the strongest financial positions in Asia. Industrial disputes are not uncommon but full strikes are very rare.

Among those who disdain his abrasive and dramatic style, he is known as "Divine" Nair, a man who likes to publicly lambast those he perceives as his enemies and lecture them on their shortcomings.

His attack last year on "snooty, arty-crafty Singaporeans" stirred controversy.

Asked more recently to help settle a dispute between the management of Singapore Airlines and some of its pilots, he typically criticised both sides in public.

Mr Nair was born in Malacca, Malaysia. He had links with the Malayan People's Anti-Japanese Army during World War II and had to go into hiding.

He was an active campaigner against British colonialism and was twice detained for periods totalling four years.

Reflecting 30 years later on his time in Changi Prison and on St John's Island, Mr Nair said, "I spent those years profitably, delving extensively into English literature. If it had not been for the British, I would never have been able to profit from the only two universities I have attended, the St John's and Changi universities."

The presidency has been vacant since the death of Dr Benjamin Sheares on May 12. Dr Sheares, a physician, and his predecessor, Encik Yusof bin Ishak, a former journalist, kept low profiles and were non-partisan.

The main importance of the President's role is to symbolise national unity for Singapore's polyglot population. Some 78 per cent of the people are ethnically Chinese and it was seen as politically desirable in the past to fill the presidency from minority races. Encik Ishak was Malay and Dr Sheares a Eurasian while Mr Nair is Indian.

The President is elected for a four-year term. Although his political power is nominal, he can exert influence in other areas. On his record in public life, Mr Nair seems unlikely to eschew whatever power is available.

"Perhaps in Mr Nair we may find a President who is more than just a figure-head and a benevolent patron to Boy Scouts and charities," the *Sunday Times* commented.

"Without politicising the office, we can have a President who is able to provide a leadership that rises above the polls. Someone who can reach out to workers, professionals and intellectuals alike and voice the hopes and aspirations of the nation." — AP

STUDY RECOMMENDS CLOSURE OF MINISTRIES, CIVIL SERVICE OVERHAUL

Kuala Lumpur NEW STRAITS TIMES in English 30 Oct 81 p 5

[Text] SINGAPORE, Thurs. — A number of sweeping changes to the civil service, including the closure of the Ministries of Law and the Environment and the merger of the Ministries of Social Affairs and Culture, have been proposed by a government study team.

Recommended too are the:

CONCENTRATION of all establishment duties like salaries and negotiations with unions, now being handled by the Finance Ministry in the Public Service Commission so that it becomes a kind of central personnel department.

TRANSFER of almost all the Finance Ministry's functions, except those of a strictly Treasury nature, to the Ministry of Trade and Industry; and

RELOCATION of the Primary Production Department, now under the Ministry of National Development, and the National Productivity Board, which is under the charge of the Labour Ministry, also to MTL.

These changes are aimed at rationalising the duties and functions of the various ministries and government bodies so that they can have an even clearer purpose and thrust in what they do.

Caused stir

Two of them — the transfer of the Fire Brigade from the Social Affairs Ministry to the Home Affairs Ministry and the Registry of Vehicles from the Communications Ministry also to Home Affairs — have already been implemented.

But it does not follow that the others too will be put into effect as, from information pieced together, there is considerable dissent if not downright

opposition from many quarters.

All these recommendations are contained in a report prepared by the Finance Ministry's Management Services Department, which was commissioned earlier this year to undertake the study.

The report, said to have been ready by April, touches almost every ministry except Defence and Education, presumably because of the special nature of their work.

It has been circulated to top civil servants for their comments, and, as is to be expected in a relatively small, tightly-knit administrative service in which everyone knows everyone else, some of its contents have filtered down from the upper echelons.

The report has caused a stir, even among those senior civil servants who are affected only marginally.

Naturally, those whose ministries will be scrapped or enlarged, if the proposals are accepted, are not particularly enamoured of it.

A common complaint is the report is a paper study, put together by a team which has not spoken to enough senior officials at any length and has thus failed to understand why certain functions need to be carried out by this or that ministry and not some other.

The proposed closure of the Environment Ministry is often cited as a case in point of how fundamental objectives and first principles have been overlooked in the quest for organisational neatness and rationalisation.

U.S. AIR CARRIERS RESIST SIA EXPANSION

Kuala Lumpur BUSINESS TIMES in English 27 Oct 81 p 3

[Article by Francis Daniel in Singapore]

[Text]

A ROW has erupted between US air carriers and Singapore Airlines (SIA) which is trying to break into the lucrative trans-Pacific route in a big way.

Although belonging to one of the smallest nations in the world, SIA's aggressive thrust into the carrier markets of the Western hemisphere has brought a wave of protest from a number of US airlines, including Pan American Airways (PanAm).

The American carriers have taken their complaints about what they consider unfair competition from SIA to a powerful US congressional sub-committee, currently conducting extensive hearings into the US "open skies" policy.

In a statement to the sub-committee, released here, SIA strongly defended its position and hinted that the American protest could be partly due to envy over its success.

But PanAm chief William Seawell described SIA's marketing drive as "predatory tactics" and pointed to the fact that the Singapore carrier had made gains in the Pacific market while US airlines had lost a sizeable share.

US airlines accused SIA of selling below-cost air tickets in an attempt to strengthen its foothold in the Pacific service.

The sub-committee of the US House of Representatives' committee of public works and transportation is expected to conclude its investigations, including complaints against SIA, by the end of this year.

SIA chairman J.Y.M. Pillay, in his statement to the sub-committee, denied all the charges levelled at the Singapore national carrier which, he said, had made "a very substantial contribution to the American economy."

The SIA, which began its operations in 1972 with a paid-up capital of US\$300

million, had purchased US aircraft and related equipment amounting to US\$1.4 billion, he said.

SIA's present fleet comprises 18 Boeing-747 jumbos, four DC-10s, three Airbus and four Boeing-737s. Except for the Airbus, all the airline's aircraft are American-built.

American allegations that the airline's growth was made possible through government subsidies, loans and other preferential tax benefits were erroneous, Mr Pillay said.

This is the second time in the past three years that SIA has fallen foul of its major rivals.

Earlier, it fought a running battle against Australia's International Civil Aviation Policy (ICAP) which was restricting cheap fares to British Airways (BA) and Qantas along the "kangaroo route" between Sydney and London.

Australia abandoned ICAP last March and accepted the principle of free competition on the Sydney-London service. Canberra also dropped its legal action against SIA for alleged selling of undervalued tickets in violation of Australian rules.

The SIA started its trans-Pacific passenger service only two years ago with a thrice weekly service to San Francisco via Hong Kong and Honolulu, using DC-10 aircraft.

It now operates 18 flights a week to the US with a modern Boeing-747 fleet and is planning to expand further into the American market.

Mr Pillay said SIA's profits since it started operations amounted to US\$200 million and the airline had geared itself to take initial losses along the Pacific route.

US airlines maintain that SIA was deliberately expanding its services to the US despite its mounting losses as an acceptable trade-off for an increase in

market share.

SIA admitted substantial losses over the past year on its US routes, but said it expected to make profits "in the not-too-distant future."

"The simple economic fact of life is that if an airline wants to inaugurate a service into a new market, initially it will experience losses. Certainly, SIA's operating experience is no different," Mr Pillay said.

He also dismissed American claims that the SIA had managed to modernise its fleet and show profit every year because of government support in securing low-interest loans.

Mr Pillay told the congressional committee that it was the Singapore government's policy not to give any special assistance to SIA which must operate purely as a viable commercial venture.

"With a 10-year history of profits, there has never been a need for government support — and indeed consistent with the government's policy, we would not have received it in any event," he said.

Unlike US carriers which may take advantage of an investment tax credit system in their country, the SIA receives no special tax treatment and must comply with all stipulations governing corporations in Singapore, he added.

Officials here are confident that SIA will win its battle with the US airlines, as it did against BA and Qantas.

SIA officials said that American charges are too flimsy to stand close scrutiny by the congressional sub-committee.

"No one is going to stop the Singapore national airline from joining the big league," said an SIA spokesman. — Reuter

COUNTRY SEEN AS U.S. SATELLITE

Bangkok SUPHAPBURUT PRACHAMIT in Thai 17 Oct 81 p 50

['Speak Thai' Column by RTN: "Thailand After Prem's Meeting with Reagan"]

[Text] It is necessary that we understand each other right off. We Thais today cannot exist in isolation at a time when the world is not peaceful and at a time when we are acting as a geo-political buffer state between great powers who could start a war at any time. When this is understood, one can see clearly that Prime Minister Prem Tinsulanon's trip was necessary and was not a matter of being looked down upon or losing face in the slightest at a time when countries in the same situation as Thailand, such as Vietnam, Kampuchea and Laos find it necessary to establish ties with Soviet leaders based on the same theory.

When Thailand chose the United States as its close ally after the great Asian war, we did so because the U.S. was the only great power that helped Thailand get away from the threat of England and China. It has been necessary that various policies concerned with Thailand's foreign affairs have to depend on U.S. policy actions for the most part. The same is true for the policies of Vietnam, Kampuchea and Laos, who for the most part have had to stand for Soviet policies. That Thailand would implement policy freely and independently in a nonaligned fashion in actuality is something that is beyond our control. Although in principle it is possible to do this, we have seen countries that have joined together calling themselves nonaligned shift from side to side, ultimately going to the side that serves their interests and is of greater significance.

When things are like that, in analyzing Thailand's role following Prem's October meeting with Reagan, it is necessary to view directly the significant issue: What kind of policy is Reagan pursuing at the moment. Do not look at it from the standpoint of what agreements did Prem make with Reagan or what did Thailand get out of America.

Reagan is a fighter; he is different from Carter, a thinker who thought about human rights. Reagan thinks of honor and pride. If Carter lived in Thailand, he would be in with those who held to the doctrine of "Defeat is saintly, victory is evil." Reagan is likely to adhere to the principle that "honor is self-bestowed."

So, Thailand in Reagan's presidency must go back to the way it had been during the presidencies of Kennedy and Lyndon Johnson. The preeminence of military affairs over political matters must be adhered to. For this reason Thailand must get more

weapons and materiel from the U.S. and we will once again become a key military base in the near future as the U.S. has started to stiffly and provocatively draw the line on Soviet influence.

In the next couple of months, or in the latter part of next year, Thailand may have to fully enter the Kampuchean battleground to drive off the Vietnamese influence which is operating under a Soviet shield. This would be the start of an offensive in drawing the line against Soviet influence. If Thailand does this successfully, the U.S. might support many other countries in doing the same, whether in Afghanistan, Iran, Poland, etc.

The fear of a big war, meaning a nuclear war, is seen as the ultimate horror. It is still believed that both the U.S. and the Soviets will not recklessly start a world-ending holocaust. Little wars will break out constantly. There will continue to be assassinations of leaders or coups in the satellites of both sides in order to destroy the influence of the opposing side which has intervened and is interfering.

Be that as it may, although Thailand has fallen into an orbit in which it has had to become a satellite, there are still some things which should be held as national ideological principles so as not to suffer the same fate as have our neighbors.

These are that even though Thailand has to follow U.S. policy externally, in matters internal, Thailand should have its own policies and should solve its internal problems with its own two hands by itself. It doesn't matter if these are vital problems of life and death; various political, economic, and terrorist (of every type) suppression problems in the country must be taken care of by Thais by themselves without helping hands or advice from others.

This would be my advice should former General Prem wish to complete his 4 years in office as stipulated in the constitution on the matter of forming a government.

And I believe that this advice has been offered by most people to the government and former General Prem. It is advice that the Thai government and the Thai prime minister ought to quickly act on in accordance with the views of most people. Thailand and the Thai people have suffered the least possible under the circumstances. At least, less than other countries in this region.

CSO: 4207/28

NATURAL GAS PRODUCTION PROBLEMS, DISCOVERIES IN NORTHEAST REVIEWED

Bangkok SIAM RAT SAPPADA WICHAN in Thai 18 Oct 81 pp 8-10

[Text] Discovery of natural gas in Thailand has brought forth hope and pleasure in all Thais, especially the government which coined the phrase that this would be the "Era of Brilliance." But many events have created doubts that we have reached the "Era of Brilliance."

We Have Not Yet Arrived at the Era of Brilliance

Natural gas in the Erawan field in the Gulf of Thailand, in the Union Oil Corporation's concession which laid a pipeline to land in Maptaphut Subdistrict, Rayong Province and then to the Bang Pakong and South Phranakhon electricity generating plants, was brought on stream as of 12 September amidst the joy of the Thai people at which time Gen Prem Tinsulanon announced, "This is the Era of Brilliance."

The natural gas in the initial phase was purchased by the Petroleum Trust of Thailand [PTT] and then resold to the Electricity Generating Authority of Thailand [EGAT] for use as an alternative energy to that of bunker oil since [gas] cost approximately 65 percent of the bunker oil price.

According to the October agreement, the PTT had to deliver about 200 [million] cubic feet of natural gas per day to EGAT. But that agreement has not been fulfilled and there are news reports that say when the gas first came on stream, EGAT received 50 million cubic feet per day and a maximum of 90 million cubic feet. Some days only 20 million cubic feet were received to the point where EGAT had to use diesel oil to power the generators, especially at the Bang Pakong Plant.

"We don't know the reason for this," said EGAT Governor Kasem Chatikwanit. "Normally we had been getting 90 million cubic feet per day and it has dropped to about 50 million cubic feet per day."

News reports from the Ministry of Industry say the reason for the lesser amount of gas is a technical problem in production: the holding tanks for the gas have been damaged and it will be a while before the problem is corrected.

Chatchai's Hope

The gas from the Gulf of Thailand had not even been in use for one month before technical difficulties arose, dropping the volume below that which was needed. Maj Gen Chatchai Chunhawan, minister of industry, announced at the beginning of this

month that the Esso Exploration Corporation had discovered natural gas in drillings in Nam Phong District, Khon Kaen Province, with a daily output of 16.8 million cubic feet. This is good quality gas with a carbon dioxide content of only 1 percent. It might be possible to use it in industry without the need for a gas separation plant as is necessary for the gas in the Gulf of Thailand.

The fact of the matter is that confirmation still has not been received from officials or from the Esso Corporation, but the Minister of Industry is expressing his hopes in advance that there will be a proposal to move the soda ash plant to the northeast because it would be near the raw material: the saltpeter. At the same time, Maj Gen Chatchai was about ready to send an urgent telex to report to Gen Prem in the United States.

"I didn't know about this beforehand. When I found out, I rushed to send the prime minister a Telex right away," Maj Gen Chatchai said after the news broke. He went to the location of drilling in Khon Kaen. There were reports that he made this trip by helicopter and was not particularly enthused, rather it was as if he were going as a formality.

The Minister of Industry further reported that the Shell corporation which is drilling at Lan Krabue in Kamphaengphet Province, has drilled to a depth of about 1,300-1,400 meters and has found natural gas [with a flow of] about 2.5 million cubic feet per day and oil that [would yield] 400-600 bbl per day. This also has not yet been confirmed by Shell.

Can This Be Believed?

Around the beginning of September, Maj Gen Chatchai had issued reports about discoveries of oil in Pradoo Tau Field #1 in Kongkrait District, Sukhothai Province, but the driller, Shell, subsequently denied the report. The amount of oil discovered there is slight and not worth the cost. There is not enough to be commercially viable. The Pradoo Tau Field #1 had to be closed to move on to Lan Krabue in Kamphaengphet.

"Sometimes Minister Chatchai exaggerates things in reporting that commercially viable amounts have been discovered when this cannot yet be positively confirmed; even the corporation won't dare confirm it," a news source in the Ministry of Industry noted.

So the news of discoveries of natural gas at Nam Phong is something that people in many quarters doubt, saying it is the same as the news that oil had been found in Sukhothai.

High-level news sources in the Ministry of Industry further state that Nam Phong had once been an ancient sea basin--about 200 million years ago--and there was a possibility that gas might be found, but there was as yet nothing certain. Presently the corporation doing the drilling has gone down more than 3,000 meters and according to plans, they have to drill to a depth of about 4,125 meters which will take about another month.

"As to discoveries that have come out in the news, we really can't say for sure how much gas there will be," the news source stated. "We have to watch the results over the next month. The corporation will drill through various layers of rock to bring

up more samples for inspection. Then we can announce the amount of gas that has been found."

Chatchai is Offsides

It can be seen that Maj Gen Chatchai's announcement before definite confirmation had been received was probably not made out of ignorance, but was probably something of his own desire since he is a politician. The civil servants who knew the facts were not able to contradict him.

News reports have stated that Maj Gen Chatchai hastily broke the news. "He didn't think about the error involved. He thought this was an achievement and after on he just faded out of the picture because the prime minister began to place more confidence in Deputy Minister Suli. So [Chatchai] had to get hopping. It didn't bother him that he jumped the gun a bit."

In fact, everybody is glad to have natural gas in the northeast because at least it will permit the development of industry in this region and there will be more employment for northeasterners. The economy will move more smoothly. But we will probably have to await surveys that inspire more confidence than the words of politicians.

There are still many opportunities to find commercially-exploitable natural gas like that found in the Gulf of Thailand. There are nearly 10 corporations holding drilling concessions who are willing to take the risk with massive costs that come to not less than 1 million baht per day. So we ought to be patient enough to await positive confirmation next time.

CSO: 4207/28

END

END OF

FICHE

DATE FILMED

9 Dec 1981